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8th Annual Edition

1985 Executive Report on **Large Corporate Pension Plans**

JOHNSON & HIGGINS

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Introduction

The nation's largest corporations allocated $21 billion for pensions in fiscal year 1984-85. The magnitude of this investment prompts a close look at the status of private pension plans and how pension expense affects the continuing operations of the major corporations that sponsor them.

The Johnson & Higgins *1985 Executive Report on Large Corporate Pension Plans* examines pension finance in the context of corporate finance. Major findings include continuation of the downward trend in pension expense that began in 1982. Only 9.1% of pretax profit was stated as pension expense, as compared with 10.9% in 1983.

Pension funds' huge assets stimulate resourceful financial planning—and regulation. In 1984, plan assets well in excess of current obligations triggered both plan terminations (freeing surplus assets for other corporate use) and takeover activity. As the Financial Accounting Standards Board (FASB) began finalizing its controversial plans for pension accounting reform, companies prepared for changes that will reverberate throughout the financial community.

Terminations with Major Asset Reversions

The capital markets boom—beginning in 1982—coupled with lowered inflation, resulted in an unanticipated explosion in pension assets growth. Containment of liabilities during the same period contributed to the multi-million-dollar pension surpluses many companies accumulated. In our survey group of 700 companies, 453 had combined surplus assets of $68 billion.

Among plans insured by the Pension Benefit Guaranty Corporation (PBGC), the number of plan terminations with asset reversions of $1 million or more has increased dramatically since 1982. Only 44 such terminations occurred between 1980 and 1981. From 1982 through 1984, there were 473, with reversions totaling $4.7 billion.

These numbers, while impressive, should be weighed against the nation's total pension assets of roughly $1 trillion. In 1984, twenty-six of our 700 companies terminated plans with asset reversions of $1 million or more. This number, too, is small since these large corporations typically sponsor multiple plans.

Multi-Million-Dollar Recoveries

	Plans Terminated	Assets Recovered (in $ millions)
1980	9	18.4
1981	35	159.0
1982	82	405.0
1983	155	1,564.0
1984	236	2,754.0

Figure 1.

Under current law, the only means of redirecting surplus pension assets to other use is plan termination. Termination has become more viable because of:

- Changes in work force demographics—including age, sex, mobility, and perceived value of traditional pension plans—that may make defined contribution-type retirement plans more attractive.
- The need to defend against takeovers—surplus pension assets lure corporate raiders, who sometimes use these funds to help finance the takeovers.
- Availability of annuities on a cost basis that is lower than that used for plan funding. Annuities are commonly purchased to cover accrued benefits for participants of terminated plans. When the cost of annuities is lower than the current value of accrued benefits, the reversion can be substantially greater than the actual plan surplus.

"More than one-third of the private sector's trillion dollar retirement cache is locked into the pension plans of 700 companies—some $355 billion in pension assets."

Most companies, however, have found it inadvisable to terminate pension plans with current assets in excess of current obligations, preferring instead to reduce funding levels or to expand retirement benefits.

Realistically, "overfunding" may be only a temporary phenomenon. Surplus asset calculations are based on today's obligations only, not on what employees will be entitled to in future years. A combination of inflation and declining interest rates could cancel a plan's surplus.

Pension Accounting Reform Imminent

The Financial Accounting Standards Board (FASB) is developing a statement, expected in late 1985, that standardizes pension costing methods and amortization periods and requires greater disclosure. The proposed changes are aimed at achieving a more accurate reflection of a company's true financial position and greater comparability of financial statements. These new standards raise as many issues as they settle, for example:

- Annual pension expense will be adjusted yearly to reflect spot interest rates in capital markets. This requirement might create wide fluctuations that do not represent the actual, on-going cost of maintaining the plan and that complicate planning for pension expense from year to year.

- The full pension "liability" will include non-vested as well as vested obligations with salary projections. Many plans, with accrued benefits presently fully funded, could nonetheless find themselves with a balance sheet liability.

- Net pension liabilities will appear on the company balance sheet, affecting the overall corporate assets/liabilities ratio.

- Collectively bargained increases in pension benefits might have to be amortized more quickly than companies can take deductions for them under current ERISA funding guidelines.

- Only one actuarial cost method will be permitted in accounting for pension expense. For companies that continue to use other approved methods for pension funding, the resulting balance sheet could produce confusion.

In looking at the interaction of pensions and the business economy, this *Report* divides into two chief areas, pension expense and pension funding:

Pensions as part of the cost of doing business: the pension expense chapters examine changes in reported pension expense from year to year and restate the amount as a percentage of pretax profits, as a per capita cost, and as a percentage of compensation.

Pension assets versus pension obligations: the pension funding section measures the value of both vested and non-vested benefits against plan assets and against the sponsoring corporation's net worth.

Throughout, the *Report* points to implications of plan terminations and pension accounting reform for pensions and other corporate financial interests.

The corporate financial data in this Report were obtained from Standard & Poor's Compustat Services Inc.

Methodology

The pension plans studied in this *Report* are those of corporations listed in the 1985 *Fortune* directories

- The "Industrials"
  ...the 500 largest industrial companies, ranked by sales.
- The "Service" companies
  ...the 50 largest commerical banking companies, ranked by assets
  ...the 50 largest retailing companies, ranked by sales
  ...the 50 largest transportation companies, ranked by operating revenues
  ...the 50 largest utilities, ranked by assets

The Fortune groups are not entirely consistent from year to year, and this prevents exact comparisons of dollars and percentages with previous *Executive Reports*. Inconsistencies exist in *Fortune* rankings and classifications. Mergers, acquisitions, and divestitures change the demographics of the groups. Availability of information—such as work force size and interest rate assumptions for calculating pension values—varies and alters the survey population for some of the exhibits.

The data reflect changes in corporate identity through August 1, 1985. Companies that merged or were acquired subsequent to publication of the *Fortune* directories are excluded.

The Appendix lists all surveyed companies.

Principal data for this *Report* were obtained from each company's most recent annual report to shareholders, as available on March 1, 1985. References to date for fiscal year 1983, or prior years, rely on annual reports for those years.

Regulatory Differences Affecting Our Numbers

The method by which companies determine pension expense for purposes of financial reporting is governed by a different set of regulations than the method for determining pension funding levels.

Opinion Number Eight of the Accounting Principles Board (APB) governs pension expense, incorporating amounts for employees living in foreign countries and for those covered under multi-employer plans. This *Report* includes pension expense for defined benefit-type plans only. Pension expense figures in annual reports cannot be equated with actual contributions to pension funds, as such consistency is not required by accounting standards or government regulations.

Financial Accounting Standards Board (FASB) Statement 36 governs footnote disclosure of pension fund assets, benefit values, and the interest rates used to calculate them. This information is meant to show the ongoing financial condition of the pension plan in accordance with generally accepted accounting principles. Multi-employer plan assets and benefit values are not included in footnote disclosure and, therefore are not included in Chapters 6-10. As with pension expense reporting, figures in footnotes may differ according to the purpose for which they are prepared. For example, the bases for determining funding objectives, plan termination liability, and benefit values may vary.

Pension Expense as a Percentage of Pretax Profits

The pretax profit amount that companies report in financial statements does not include pension expense. To develop a figure for "pension expense as a percentage of pretax

profits," pension expense was added to the pretax profits amount, arriving at an adjusted pretax profit figure that becomes the denominator of the ratio. This practice is consistent with previous Executive Reports.

The "Composite Company"

The term "composite company" refers to one hypothetical company with experience equal to the average of all companies in each exhibit of the study. Because the sample of companies may vary slightly from one exhibit to another, the composite company is not exactly the same in every Exhibit. The differences are slight permitting treatment of a composite company as a single entity.

Because figures for a composite company are actually the weighted average of results, composite figures may reflect primarily the experience of the larger companies in the sample. This year, both unweighted and weighted averages are provided in each Exhibit to better represent the experience of individual companies' pension plans.

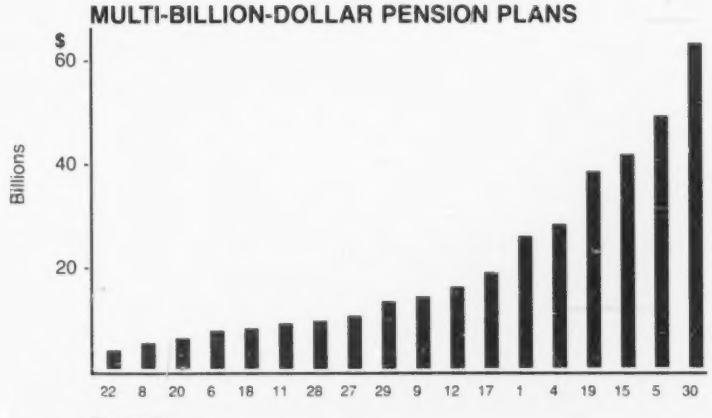

Figure 2

More than one-third of the private sector's trillion dollar retirement cache is locked into the pension plans of 700 companies. Some $355 billion in pension assets is spread among 26 industries and 4 service sectors. Each of the 14 industry groups depicted above holds more than $5 billion in plan assets. The breakdown of the whole survey sample by group:

	Millions		Millions
1. Aerospace	$25060.14	16. Musical Instruments, Toys, Sporting Goods	$ 471.29
2. Apparel	951.45	17. Office Equipment	17290.28
3. Beverages	1621.73	18. Paper, Fiber, and Wood Products	7780.44
4. Chemicals	25470.42	19. Petroleum Refining	35024.97
5. Electronics, Appliances	42224.61	20. Pharmaceuticals	5775.23
6. Food	7647.60	21. Publishing, Printing	2418.02
7. Furniture	94.83	22. Rubber, Plastic Products	5232.96
8. Glass, Concrete, Abrasives, Gypsum	5707.93	23. Shipbuilding, Railroad, Transportation Equipment	1272.31
9. Industrial and Farm Equipment	12355.44	24. Soaps, Cosmetics	1419.75
10. Jewelry, Silverware	28.65	25. Textiles, Vinyl Flooring	1274.28
11. Measuring, Scientific, Photographic Equipment	8126.17	26. Tobacco	2448.15
12. Metal Manufacturing	14803.68	27. Commercial Banking	8678.26
13. Metal Products	2862.72	28. Retailing	8280.35
14. Mining, Crude Oil Products	2006.82	29. Transportation	12187.04
15. Motor Vehicles	36182.17	30. Utilities	59753.47

1 About the Companies Surveyed, 1984

The 700 companies in the *Fortune*/J&H universe are the largest in 26 industrial and 4 non-industrial areas. They employ 20.8 million people—22% of the nation's work force. They hold an estimated $373 billion in pension assets. About ¾ belong to the industrials and ¼ to the non-industrials. This represents 37% of the nation's $1 trillion-plus in reported private retirement plan assets and 2.6% of the nation's total asset holdings of approximately $14 trillion.

The magnitude of pension funds can be seen in their share of stock market activity. Overall, pension fund holdings include approximately 22% of all publicly traded corporate equities and 52% of all corporate bonds. The largest single transaction on the New York Stock Exchange in 1984—10 million shares of Superior Oil, traded on June 21 at $42.37—is equal to only 0.21% of the estimated $203 billion in plan assets of the top 100 industrial companies. When one major automobile manufacturer's pension fund sold off its $450 million worth of equities on July 19, the Dow Jones Industrial Average dipped 9 points.

Ninety-five percent of the survey companies reported pension information. Thirty-six companies in the survey group are not represented in the study. Four of these companies are wholly owned subsidiaries; 5 were acquired; and 1 merged. Their figures are consolidated with those of their parent companies. Thirteen foreign-owned and 11 privately, cooperatively, or employee-owned companies are not required to file annual reports. One company filed its annual report too late to be included in the survey.

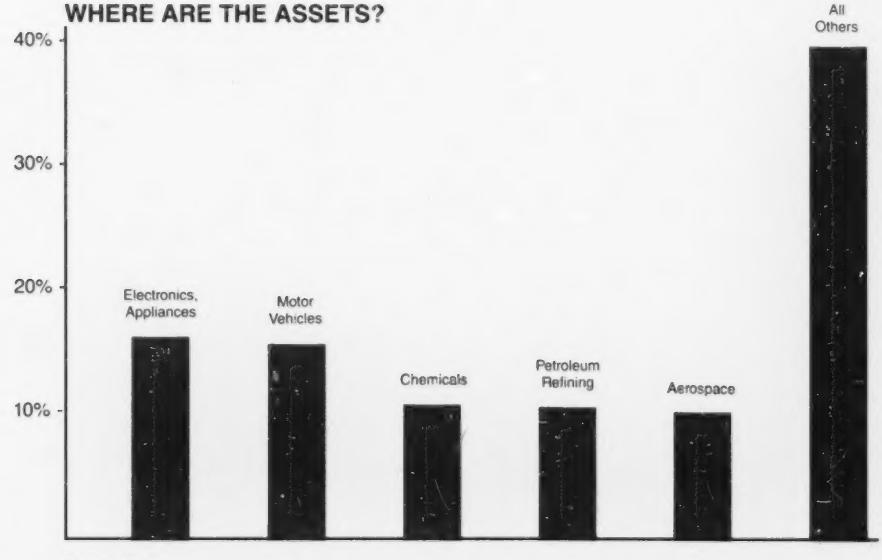

Figure 3

Exhibit 1.
About the Companies Surveyed

By Fortune 500 Ranks	Number Of Companies In Fortune Universe	Number Of Companies In J&H Survey	Percentage Of Fortune-Ranked Companies In J&H Survey
Fortune 1-100	100	100	100%
Fortune 101-200	100	97	97%
Fortune 201-300	100	90	90%
Fortune 301-400	100	92	92%
Fortune 401-500	100	93	93%
Total	500	472	94%
By Industry Group			
Aerospace	17	17	100%
Apparel	12	12	100%
Beverages	10	8	80%
Chemicals	45	39	87%
Electronics, Appliances	50	49	98%
Food	54	44	81%
Furniture	2	2	100%
Glass, Concrete, Abrasives, Gypsum	17	16	94%
Industrial and Farm Equipment	32	32	100%
Jewelry, Silverware	1	1	100%
Measuring, Scientific, Photographic Equipment	16	16	100%
Metal Manufacturing	28	26	93%
Metal Products	22	20	91%
Mining, Crude Oil Production	12	12	100%
Motor Vehicles	16	16	100%
Musical Instruments, Toys, Sporting Goods	6	6	100%
Office Equipment (including computers)	21	21	100%
Paper, Fiber, and Wood Products	32	31	97%
Petroleum Refining	29	27	93%
Pharmaceuticals	19	19	100%
Publishing, Printing	17	17	100%
Rubber, Plastic Products	12	12	100%
Shipbuilding, Railroad, Transportation Equipment	6	6	100%
Soaps, Cosmetics	9	8	89%
Textiles, Vinyl Flooring	11	11	100%
Tobacco	4	4	100%
By Fortune 50 Non-Industrial Groups			
Commercial Banking	50	47	94%
Retailing	50	48	96%
Transportation	50	48	96%
Utilities	50	49	98%
Total	200	192	96%
Industry & Non-Industry Total	700	664	95%

Pension Expense

The PENSION EXPENSE part of this study looks at pensions as part of the cost of doing business. In the next few chapters, we examine changes in reported expense from year to year and restate the amount expensed for pension plans as a percentage of pretax profits, as a per capita cost, and as a percentage of compensation. Whenever information is available, we identify 10-year trends.

How Will the Financial Accounting Standards Board's (FASB) Proposed Guidelines for Pension Accounting Affect Pension Expense?

New accounting standards will create dramatic changes in pension expense dynamics. The FASB proposal will replace Accounting Principles Board (APB) Opinion 8, which currently governs the reporting of pension expense. Among the results for pension expense:

- Interest rate assumptions will be adjusted annually and based on spot interest rates in capital markets. Actuarial assumptions, long-term by nature, will thus be forced to track short-term conditions, with resulting balance sheet volatility.
- A uniform actuarial cost method will be required for reporting pension expense, regardless of the funding method actually used by the plan. An initial decrease in reported pension expense is likely if an employer has been reporting under another method. The pension expense decline of the past few years might be attributable in part to companies' switching to the proposed actuarial cost method, in anticipation of the FASB decision.
- A uniform amortization method will be required. The proposed method tends to charge significantly higher amounts in the first years following a plan amendment. Where frequent, regular amendments are common, such as benefit increases resulting from labor negotiations or from updates of benefit formulas of career-average plans, the new FASB guidelines might actually produce higher reported expense levels.

In the absence of special events such as plan amendments or corporate reorganizations, pension expense under current accounting standards usually follows a stable course. The use of point-in-time assumptions under the FASB's proposed standards will introduce volatility into pension expense figures.

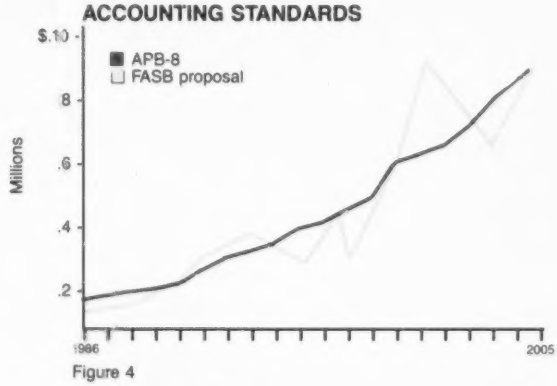

Figure 4

If a pension plan sponsor continues to fund the plan under a method that produces stable contribution rates, volatile amounts will appear on the company's balance sheet.

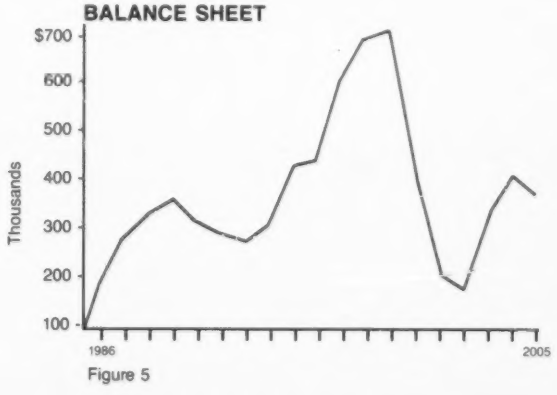

Figure 5

2 Change in Pension Expense, 1984 from 1983

Fifty-nine percent of the companies reported a reduction in pension expense in 1984. Only 52% did in 1983. Our composite company's expense decreased 9.8%—nearly double the reduction in 1983.

Some factors contributing to this continued decline are:

- Short-term demographic changes, including a shift in industry/service employment patterns and work force mobility
- Long-term demographic changes, such as overall maturation of employee populations covered by pension plans
- Pension plan terminations with reversions of assets, followed by changes in pension plan financing policies
- Transition to defined contribution plans
- Positive investment returns (although interest yields on investments decreased in 1984, actuarial cost methods blunted the effect on pension expense)
- Increasing interest rate assumptions
- Lower wage increases
- Declining inflation, as well as expectations about the rate of inflation

Three industrial groups reported composite pension expense declines of over 30% in 1984:

- Industrial and Farm Equipment—31.9%
- Soaps and Cosmetics—32.8%
- Furniture—33.3%

The Industrial sector's composite trend was influenced primarily by the broad reduction in pension expense in the Petroleum Refining group: over ¾ of the refiners reported declining pension expense, yielding a 27.7% group composite decrease. This industry contracted because of falling demand and prices. Labor cut-backs and changes in actuarial assumptions contributed to the drop in pension expense.

In the Service sector, Commercial Banking showed the largest decline in pension expense—15.5%. Banks' pensions are the highest funded of all, and the 1984 decline in pension expense may reflect primarily the high contribution of the funds' investment returns to pension cash flow.

Although the composite company's expense decreased, the average (unweighted) pension expense for the full study sample actually increased 5.3%. This discrepancy is accounted for by the fact that companies with higher absolute pension expense levels cut back more in 1984 than companies with lower levels. Companies ranked in the *Fortune* 1-200 group reported greater declines than companies in the 201-400 group.

Pension expense is just one of the many allocations of a company's financial resources. The amount expensed for pensions is affected by broad economic conditions, including inflation, recession, and recovery, as well as legislation that alters these conditions.

An overall decline in pension expense is evident now. Among companies that reported 10-year data, the Publishing and Printing groups was one of the few that did not have a decrease. Generous portions of high profits were assigned by these companies for pensions in 1984, contributing to an up-turn in expenses.

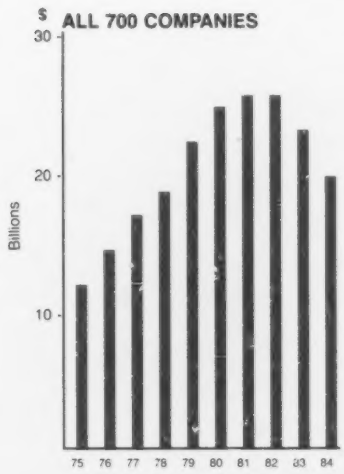

Figure 6

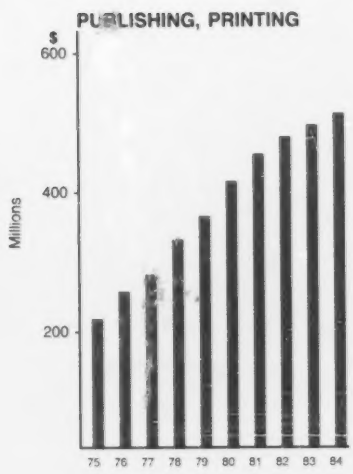

Figure 7

Textiles and Vinyl Flooring and Aerospace groups show 10-year patterns closer to the norm. The textiles and Vinyl Flooring groups cut employment levels in 1984. The Aerospace group expanded, perhaps because of active defense contracting.

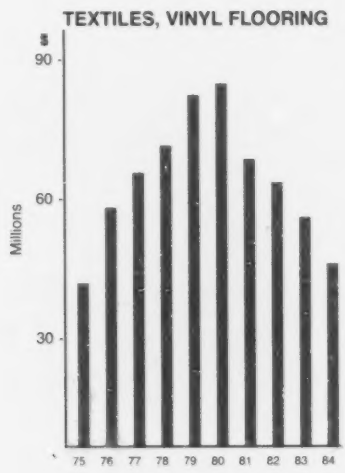

Figure 8

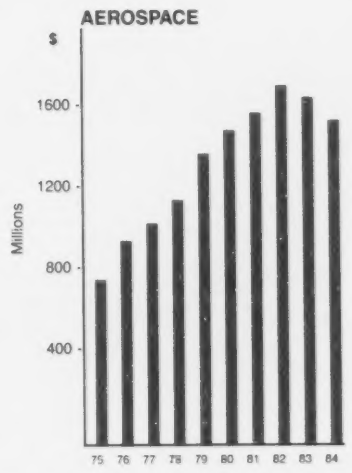

Figure 9

While long-term decisions dominate conventional funding policy, proposed Financial Accounting Standards Board (FASB) guidelines will tie pension expense directly to market fluctuations, by requiring interest rate assumptions based on spot markets. Tracking meaningful expense patterns among companies is likely to become more of an impossibility than a challenge in future *Executive Reports*.

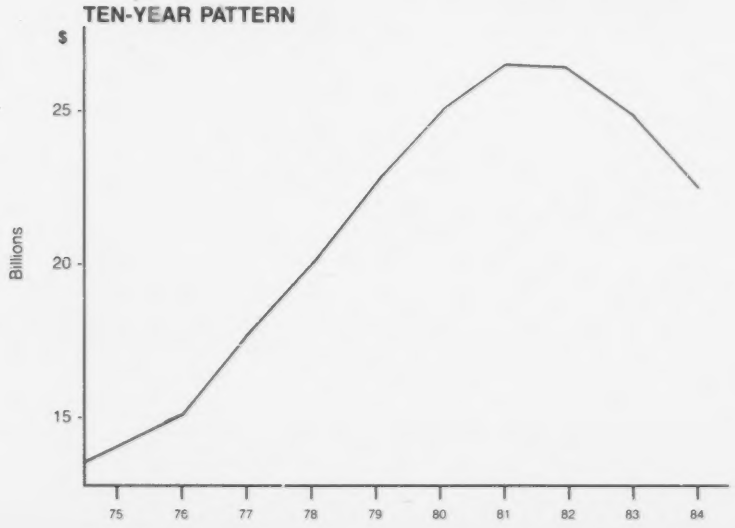

Figure 10

Exhibit 2.
Change in Pension Expense, 1984 from 1983

By Fortune 500 Ranks	Number Of Companies	Composite Change In Pension Expense: Pension Expense ($ Millions) 1984	1983	Composite Change	Average Pension Expense Per Company ($ Millions) 1984	1983
Fortune 1-100	96	$11,923.9	$13,531.7	−11.9%	$124.2	$141.0
Fortune 101-200	93	2,278.9	2,608.3	−12.6%	24.5	28.0
Fortune 201-300	83	1,261.1	1,359.5	−7.2%	15.2	16.4
Fortune 301-400	85	641.2	695.2	−7.8%	7.5	8.2
Fortune 401-500	88	381.8	428.7	−10.9%	4.3	4.9
Total	445	$16,486.9	$18,623.4	−11.5%	$ 37.1	$ 41.9
By Industry Group						
Aerospace	17	$ 1,469.3	$ 1,634.6	−10.1%	$ 86.4	$ 96.2
Apparel	11	95.2	103.8	−8.3%	8.7	9.4
Beverages	8	171.6	181.9	−5.7%	21.5	22.7
Chemicals	38	1,518.5	1,807.9	−16.0%	40.0	47.6
Electronics, Appliances	44	1,644.2	1,766.6	−6.9%	37.4	40.2
Food	41	591.9	689.5	−14.2%	14.4	16.8
Furniture	2	0.8	1.2	−33.3%	0.4	0.6
Glass, Concrete, Abrasives, Gypsum	15	334.6	364.7	−8.3%	22.3	24.3
Industrial and Farm Equipment	31	581.5	853.3	−31.9%	18.8	27.5
Jewelry, Silverware	1	2.9	2.7	7.4%	2.9	2.7
Measuring, Scientific, Photographic Equipment	16	508.1	564.9	−10.1%	31.8	35.3
Metal Manufacturing	24	999.7	1,114.9	−10.3%	41.7	46.5
Metal Products	19	218.5	216.7	0.8%	11.5	11.4
Mining, Crude Oil Production	12	228.1	248.1	−8.1%	19.0	20.7
Motor Vehicles	16	3,050.2	3,112.8	−2.0%	190.6	194.6
Musical Instruments, Toys, Sporting Goods	6	29.9	28.8	3.8%	5.0	4.8
Office Equipment (including computers)	15	1,611.4	1,722.2	−6.4%	107.4	114.8
Paper, Fiber, and Wood Products	29	405.3	436.2	−7.1%	14.0	15.0
Petroleum Refining	26	1,567.0	2,165.9	−27.7%	60.3	83.3
Pharmaceuticals	19	441.5	469.6	−6.0%	23.2	24.7
Publishing, Printing	16	263.3	262.5	0.3%	16.5	16.4
Rubber, Plastic Products	12	275.0	290.5	−5.3%	22.9	24.2
Shipbuilding, Railroad, Transportation Equipment	5	96.2	110.8	−13.2%	19.2	22.2
Soaps, Cosmetics	7	92.6	137.7	−32.8%	13.2	19.7
Textiles, Vinyl Flooring	11	60.2	74.0	−18.6%	5.5	6.7
Tobacco	4	229.5	261.7	−12.3%	57.4	65.4
By Fortune 50 Non-Industrial Groups						
Commercial Banking	46	$ 479.4	$ 567.2	−15.5%	$ 10.4	$ 12.3
Retailing	38	1,166.9	1,128.1	3.4%	30.7	29.7
Transportation	41	1,595.5	1,715.1	−7.0%	38.9	41.8
Utilities	42	1,579.9	1,597.9	−1.1%	37.6	38.0
Total	167	$ 4,821.7	$ 5,008.3	−3.7%	$ 28.9	$ 30.0
Industry & Non-Industry Total	612	$21,308.6	$23,631.7	−9.8%	$ 34.8	$ 38.6

Detailed Distribution Of Change In Expense

Decrease	Increase Of 0-9.9%	Increase Of 10-19.9%	Increase Of 20-29.9%	Increase Of 30-39.9%	Increase Of 40-49.9%	Increase Of 50% Or More
68 (71%)	21 (22%)	2 (2%)	2 (2%)	2 (2%)	1 (1%)	0 (0%)
61 (66%)	21 (23%)	7 (8%)	2 (2%)	2 (2%)	0 (0%)	0 (0%)
51 (61%)	13 (16%)	9 (11%)	0 (0%)	4 (5%)	1 (1%)	5 (6%)
49 (58%)	21 (25%)	6 (7%)	5 (6%)	1 (1%)	0 (0%)	3 (4%)
50 (57%)	21 (24%)	5 (6%)	1 (1%)	3 (3%)	1 (1%)	7 (8%)
279 (63%)	97 (22%)	29 (7%)	10 (2%)	12 (3%)	3 (1%)	15 (3%)
11 (65%)	5 (29%)	1 (6%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
4 (36%)	5 (45%)	1 (9%)	1 (9%)	0 (0%)	0 (0%)	0 (0%)
5 (63%)	0 (0%)	1 (13%)	1 (13%)	1 (13%)	0 (0%)	0 (0%)
30 (79%)	5 (13%)	2 (5%)	1 (3%)	0 (0%)	0 (0%)	0 (0%)
26 (59%)	8 (18%)	5 (11%)	1 (2%)	0 (0%)	1 (2%)	3 (7%)
28 (68%)	8 (20%)	2 (5%)	2 (5%)	1 (2%)	0 (0%)	0 (0%)
1 (50%)	0 (0%)	1 (50%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
11 (73%)	2 (13%)	1 (7%)	0 (0%)	1 (7%)	0 (0%)	0 (0%)
24 (77%)	4 (13%)	1 (3%)	1 (3%)	1 (3%)	0 (0%)	0 (0%)
0 (0%)	1 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
9 (56%)	4 (25%)	1 (6%)	1 (6%)	0 (0%)	0 (0%)	1 (6%)
17 (71%)	7 (29%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
10 (53%)	6 (32%)	0 (0%)	0 (0%)	2 (11%)	0 (0%)	1 (5%)
8 (67%)	3 (25%)	0 (0%)	0 (0%)	0 (0%)	1 (8%)	0 (0%)
10 (63%)	4 (25%)	0 (0%)	1 (6%)	1 (6%)	0 (0%)	0 (0%)
2 (33%)	1 (17%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	3 (50%)
7 (47%)	3 (20%)	2 (13%)	0 (0%)	1 (7%)	0 (0%)	2 (13%)
16 (55%)	7 (24%)	1 (3%)	0 (0%)	2 (7%)	0 (0%)	3 (10%)
20 (77%)	5 (19%)	1 (4%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
10 (53%)	5 (26%)	4 (21%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
5 (31%)	5 (31%)	4 (25%)	0 (0%)	1 (6%)	0 (0%)	1 (6%)
5 (42%)	6 (50%)	1 (8%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
4 (80%)	0 (0%)	0 (0%)	0 (0%)	1 (20%)	0 (0%)	0 (0%)
6 (86%)	0 (0%)	0 (0%)	1 (14%)	0 (0%)	0 (0%)	0 (0%)
8 (73%)	2 (18%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (9%)
2 (50%)	1 (25%)	0 (0%)	0 (0%)	0 (0%)	1 (25%)	0 (0%)
27 (59%)	8 (17%)	4 (9%)	3 (7%)	2 (4%)	0 (0%)	2 (4%)
15 (39%)	8 (21%)	5 (13%)	4 (11%)	3 (8%)	2 (5%)	1 (3%)
21 (51%)	6 (15%)	8 (20%)	2 (5%)	2 (5%)	0 (0%)	2 (5%)
20 (48%)	13 (31%)	4 (10%)	4 (10%)	1 (2%)	0 (0%)	0 (0%)
83 (50%)	35 (21%)	21 (13%)	13 (8%)	8 (5%)	2 (1%)	5 (3%)
362 (59%)	132 (22%)	50 (8%)	23 (4%)	20 (3%)	5 (1%)	20 (3%)

3 Pension Expense as a Percentage of Pretax Profits, 1984 and 1983

Profits for the *Fortune* 500 industrials were 25.6% greater in 1984 than in 1983. Because sales revenues went up only 4.3%, the increase in profits resulted largely from lower expenses, including lower pension expense. The combination of lower pension expense and higher profits resulted in a decrease in the ratio of pension expense as a percentage of pretax profits—from 10.9% in 1983 to 9.1% in 1984.

The ratio of Fortune 500 pension expense to pretax profits dropped to 9.6%—below 11.5% for the first time since we began tracking these companies in 1977.

The industries with the greatest percentage increases in pretax profits were the Metal Manufacturing and Industrial and Farm Equipment groups. These industries were unaided by the country's overall economic recovery; write-offs and accounting changes enabled companies to show a rise in profits.

The Motor Vehicles group claimed close to one-fifth of the overall increase in pretax profits—almost $5 billion more than in 1983. This profitability could be short-lived if the pressures of foreign competition, a strong dollar, and the continuing trend toward a service-oriented economy remain.

Only three groups in our survey reported decreasing profits: Apparel, Beverages, and Soaps & Cosmetics. Even so, pension expense declined in relation to pretax profits because pension expense fell faster than profits.

In the Service sector, the Transportation industry showed the greatest profits increase—55.7%. In 1984, pension expense fell to 13% as a percentage of pretax profits—from 16.1% in 1983. The Service sector as a whole experienced a drop in this ratio from 8.6% in 1983 to 7.8% in 1984.

The recent flurry of pension plan termination activity with recovery of assets suggests that past pension expense levels have been conservatively high relative to corporate profits. Companies that choose not to terminate "overfunded" plans may be choosing instead to revise pension funding levels downward.

"Moderating compensation patterns helped supress pension expense."

PENSION EXPENSE

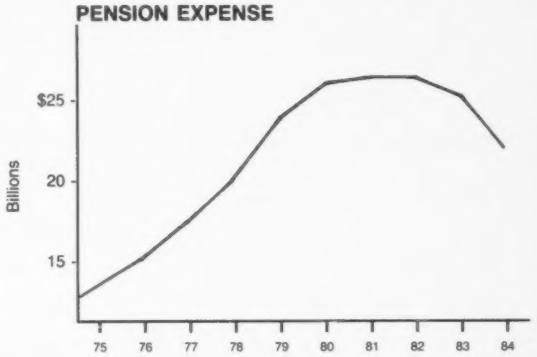

Figure 11

PRETAX PROFITS

Figure 12

EXPENSE-TO-PROFITS RATIO

Figure 13

Shareholders' prospects brightened at the end of 1984 as the increase in earnings per share and in dividends per share slightly surpassed the increase of 1983. Slow but steady decreases in pension expense per share since 1980 conform to the trend.

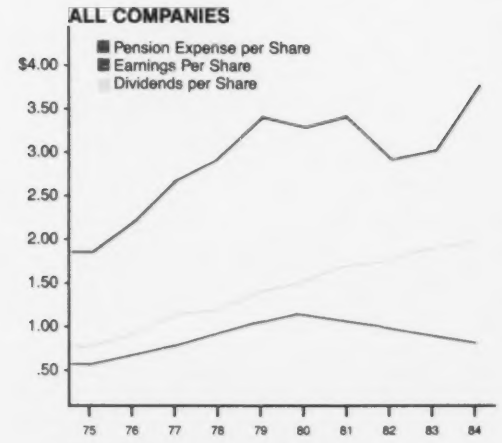

Figure 14

Although the oil glut dramatically decreased earnings for this petroleum refining company in the early eighties, management was able to pay relatively stable dividends. In 1984 the earnings picture improved as pension expense decreased due to changes in actuarial assumptions.

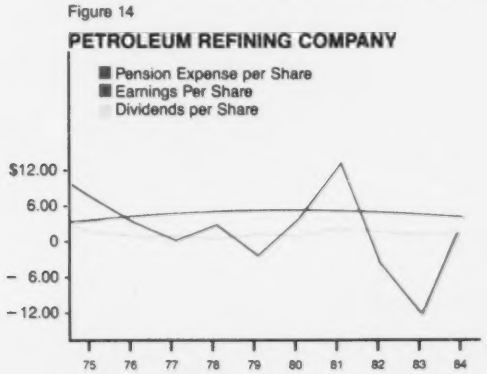

Figure 15

1984 was a year of strong recovery for this Motor Vehicles company. Earnings per share quadrupled and dividends were declared for the first time since 1979. The decrease in pension expense—the result of concession bargaining and other cutbacks—contributed to the success story.

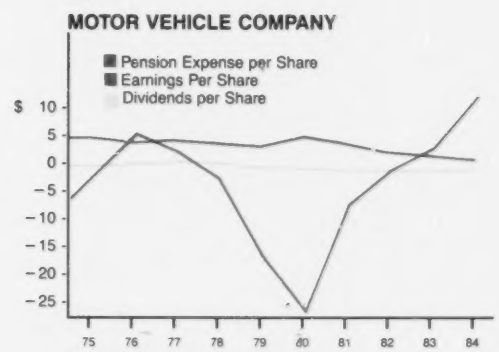

Figure 16

The Hi-Tech revolution contributed to the steady success of this Electronics and Appliance company over the past ten years. However, management reduced pension expense in 1984—as well as other costs—perhaps because it anticipated a drop in profits caused by decreased product demand.

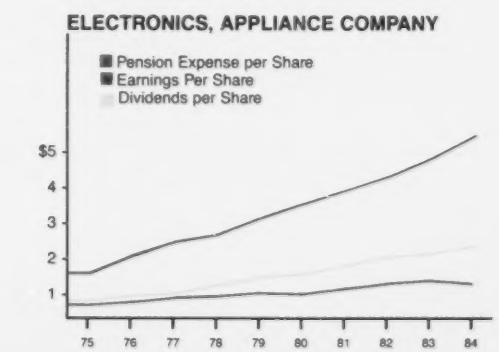

Figure 17

Exhibit 3.
Pension Expense as a Percentage of Pretax Profits, 1984 and 1983

By Fortune 500 Ranks	Number Of Companies	Pension Expense As A Percentage Of Pretax Profits (Composite) 1984	1983	Comparison To Previous Year: Increased 1984	Decreased 1984	No Change 1984	0-9.9% 1984	1983
Fortune 1-100	96	9.6%	11.5%	22 (23%)	66 (69%)	4 (4%)	48 (50%)	38 (40%)
Fortune 101-200	93	9.6%	12.3%	24 (26%)	62 (67%)	3 (3%)	52 (56%)	29 (31%)
Fortune 201-300	83	10.3%	14.0%	15 (18%)	60 (72%)	1 (1%)	44 (53%)	26 (31%)
Fortune 301-400	85	9.6%	12.0%	20 (24%)	55 (65%)	2 (2%)	43 (51%)	35 (41%)
Fortune 401-500	88	8.3%	10.5%	21 (24%)	54 (61%)	5 (6%)	51 (58%)	51 (58%)
Total	445	9.6%	11.7%	102 (23%)	297 (67%)	15 (3%)	238 (53%)	179 (40%)
By Industry Group								
Aerospace	17	19.4%	25.5%	1 (6%)	14 (82%)	0 (0%)	2 (12%)	1 (6%)
Apparel	11	7.9%	8.1%	6 (55%)	4 (36%)	1 (9%)	4 (36%)	6 (55%)
Beverages	8	6.2%	6.4%	6 (75%)	2 (25%)	0 (0%)	7 (88%)	6 (75%)
Chemicals	38	11.7%	16.5%	5 (13%)	32 (84%)	0 (0%)	20 (53%)	8 (21%)
Electronics, Appliances	44	12.5%	15.5%	8 (18%)	33 (75%)	1 (2%)	22 (50%)	17 (39%)
Food	41	7.0%	8.4%	10 (24%)	27 (66%)	2 (5%)	26 (63%)	23 (56%)
Furniture	2	1.2%	2.3%	0 (0%)	1 (50%)	1 (50%)	2 (100%)	2 (100%)
Glass, Concrete, Abrasives, Gypsum	15	13.3%	22.1%	0 (0%)	14 (93%)	0 (0%)	5 (33%)	1 (7%)
Industrial and Farm Equipment	31	12.7%	20.2%	6 (19%)	20 (65%)	0 (0%)	14 (45%)	10 (32%)
Jewelry, Silverware	1	4.3%	4.7%	0 (0%)	1 (100%)	0 (0%)	1 (100%)	1 (100%)
Measuring, Scient., Photo. Equip.	16	10.0%	13.4%	5 (31%)	11 (69%)	0 (0%)	9 (56%)	5 (31%)
Metal Manufacturing	24	36.1%	64.5%	7 (29%)	10 (42%)	0 (0%)	6 (25%)	2 (8%)
Metal Products	19	12.8%	15.2%	5 (26%)	12 (63%)	1 (5%)	6 (32%)	7 (37%)
Mining, Crude Oil Production	12	3.3%	3.7%	2 (17%)	7 (58%)	0 (0%)	8 (67%)	8 (67%)
Motor Vehicles	16	17.0%	22.5%	3 (19%)	13 (81%)	0 (0%)	7 (44%)	1 (6%)
Musical Instr., Toys, Sporting Goods	6	6.2%	10.2%	1 (17%)	3 (50%)	1 (17%)	4 (67%)	3 (50%)
Office Equipment (incl. computers)	15	9.6%	11.6%	4 (27%)	10 (67%)	0 (0%)	8 (53%)	3 (20%)
Paper, Fiber, and Wood Products	29	9.8%	13.9%	5 (17%)	23 (79%)	1 (3%)	15 (52%)	7 (24%)
Petroleum Refining	26	4.0%	4.8%	11 (42%)	10 (38%)	2 (8%)	20 (77%)	18 (69%)
Pharmaceuticals	19	4.9%	5.5%	5 (26%)	10 (53%)	3 (16%)	17 (89%)	17 (89%)
Publishing, Printing	16	7.3%	8.7%	3 (19%)	13 (81%)	0 (0%)	13 (81%)	13 (81%)
Rubber, Plastic Products	12	16.9%	20.0%	3 (25%)	8 (67%)	1 (8%)	4 (33%)	5 (42%)
Shipbuilding, Railroad, Trans. Equip.	5	16.5%	26.2%	1 (20%)	4 (80%)	0 (0%)	2 (40%)	1 (20%)
Soaps, Cosmetics	7	7.4%	9.2%	2 (29%)	5 (71%)	0 (0%)	6 (86%)	4 (57%)
Textiles, Vinyl Flooring	11	8.2%	10.9%	2 (18%)	8 (73%)	0 (0%)	6 (55%)	6 (55%)
Tobacco	4	5.3%	6.3%	1 (25%)	2 (50%)	1 (25%)	4 (100%)	4 (100%)
By Fortune 50 Non-Industrial Groups								
Commercial Banking	46	4.5%	5.4%	13 (28%)	29 (63%)	1 (2%)	39 (85%)	40 (87%)
Retailing	38	10.3%	10.4%	11 (29%)	21 (55%)	5 (13%)	24 (63%)	22 (58%)
Transportation	41	13.0%	16.1%	15 (37%)	21 (51%)	2 (5%)	13 (32%)	13 (32%)
Utilities	42	5.9%	6.6%	9 (21%)	28 (67%)	5 (12%)	39 (93%)	38 (90%)
Total	167	7.8%	8.6%	48 (29%)	99 (59%)	13 (8%)	115 (69%)	113 (68%)
Industry & Non-Industry Total	612	9.1%	10.9%	150 (25%)	396 (65%)	28 (5%)	353 (58%)	292 (48%)

Detailed Distribution Of Expense/Profit Ratio										Companies With Pretax Loss	
10-19.9%		20-29.9%		30-39.9%		40-49.9%		At Least 50%			
1984	1983	1984	1983	1984	1983	1984	1983	1984	1983	1984	1983
30 (31%)	27 (28%)	6 (6%)	16 (17%)	2 (2%)	2 (2%)	0 (0%)	2 (2%)	6 (6%)	3 (3%)	4 (4%)	8 (8%)
21 (23%)	26 (28%)	8 (9%)	11 (12%)	6 (6%)	6 (6%)	0 (0%)	3 (3%)	1 (1%)	5 (5%)	5 (5%)	12 (13%)
24 (29%)	29 (35%)	4 (5%)	9 (11%)	3 (4%)	4 (5%)	1 (1%)	4 (5%)	0 (0%)	3 (4%)	7 (8%)	8 (10%)
22 (26%)	24 (28%)	6 (7%)	6 (7%)	3 (4%)	5 (6%)	0 (0%)	1 (1%)	3 (4%)	4 (5%)	8 (9%)	10 (12%)
14 (16%)	16 (18%)	5 (6%)	2 (2%)	2 (2%)	6 (7%)	1 (1%)	5 (6%)	7 (8%)	4 (5%)	8 (9%)	4 (5%)
111 (25%)	122 (27%)	29 (7%)	44 (10%)	16 (4%)	23 (5%)	2 (0%)	15 (3%)	17 (4%)	19 (4%)	32 (7%)	42 (9%)
8 (47%)	2 (12%)	4 (24%)	10 (59%)	1 (6%)	2 (12%)	0 (0%)	1 (6%)	0 (0%)	0 (0%)	2 (12%)	1 (6%)
6 (55%)	5 (45%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (9%)	0 (0%)	0 (0%)	0 (0%)
1 (13%)	2 (25%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
13 (34%)	22 (58%)	1 (3%)	2 (5%)	2 (5%)	0 (0%)	0 (0%)	2 (5%)	0 (0%)	1 (3%)	1 (3%)	2 (5%)
17 (39%)	13 (30%)	0 (0%)	6 (14%)	3 (7%)	3 (7%)	0 (0%)	1 (2%)	0 (0%)	0 (0%)	2 (5%)	4 (9%)
8 (20%)	10 (24%)	3 (7%)	2 (5%)	0 (0%)	0 (0%)	0 (0%)	1 (2%)	2 (5%)	3 (7%)	2 (5%)	2 (5%)
0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
3 (20%)	4 (27%)	4 (27%)	3 (20%)	1 (7%)	2 (13%)	0 (0%)	2 (13%)	1 (7%)	3 (20%)	1 (7%)	0 (0%)
6 (19%)	3 (10%)	2 (6%)	2 (6%)	3 (10%)	3 (10%)	0 (0%)	0 (0%)	1 (3%)	4 (13%)	5 (16%)	9 (29%)
0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
6 (38%)	7 (44%)	0 (0%)	1 (6%)	0 (0%)	1 (6%)	0 (0%)	1 (6%)	1 (6%)	1 (6%)	0 (0%)	0 (0%)
2 (8%)	5 (21%)	3 (13%)	0 (0%)	0 (0%)	1 (4%)	1 (4%)	2 (8%)	5 (21%)	3 (13%)	7 (29%)	11 (46%)
7 (37%)	6 (32%)	2 (11%)	2 (11%)	1 (5%)	2 (11%)	0 (0%)	0 (0%)	2 (11%)	0 (0%)	1 (5%)	2 (11%)
0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (8%)	2 (17%)	0 (0%)	0 (0%)	3 (25%)	2 (17%)
4 (25%)	6 (38%)	3 (19%)	5 (31%)	0 (0%)	1 (6%)	0 (0%)	0 (0%)	2 (13%)	1 (6%)	0 (0%)	2 (13%)
1 (17%)	1 (17%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (17%)	1 (17%)	1 (17%)
4 (27%)	7 (47%)	1 (7%)	2 (13%)	0 (0%)	2 (13%)	0 (0%)	1 (7%)	1 (7%)	0 (0%)	1 (7%)	0 (0%)
13 (45%)	12 (41%)	0 (0%)	6 (21%)	0 (0%)	1 (3%)	0 (0%)	1 (3%)	1 (3%)	0 (0%)	0 (0%)	2 (7%)
1 (4%)	3 (12%)	1 (4%)	0 (0%)	1 (4%)	1 (4%)	0 (0%)	1 (4%)	0 (0%)	0 (0%)	3 (12%)	3 (12%)
0 (0%)	2 (11%)	1 (5%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (5%)	0 (0%)
3 (19%)	2 (13%)	0 (0%)	1 (6%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
4 (33%)	3 (25%)	1 (8%)	2 (17%)	3 (25%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	2 (17%)	0 (0%)	0 (0%)
0 (0%)	1 (20%)	3 (60%)	0 (0%)	0 (0%)	2 (40%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (20%)
1 (14%)	3 (43%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
3 (27%)	3 (27%)	0 (0%)	0 (0%)	1 (9%)	2 (18%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (9%)	0 (0%)
0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
2 (4%)	2 (4%)	2 (4%)	1 (2%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	3 (7%)	3 (7%)
5 (13%)	9 (24%)	6 (16%)	4 (11%)	2 (5%)	1 (3%)	0 (0%)	1 (3%)	0 (0%)	0 (0%)	1 (3%)	1 (3%)
10 (24%)	4 (10%)	4 (10%)	6 (15%)	3 (7%)	2 (5%)	5 (12%)	2 (5%)	3 (7%)	6 (15%)	3 (7%)	8 (20%)
3 (7%)	4 (10%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
20 (12%)	19 (11%)	12 (7%)	11 (7%)	5 (3%)	3 (2%)	5 (3%)	3 (2%)	3 (2%)	6 (4%)	7 (4%)	12 (7%)
131 (21%)	141 (23%)	41 (7%)	55 (9%)	21 (3%)	26 (4%)	7 (1%)	18 (3%)	20 (3%)	25 (4%)	39 (6%)	54 (9%)

4 Change in Pension Expense per Employee, 1984 from 1983

This chapter compares pension expense to the size of the work force. Not every employee is a plan participant, so average pension expense per employee is slightly less than average expense per participant.

Pension expense per employee fell significantly—from $1,312 in 1983 to $1,145 in 1984—continuing the downward trend begun in 1983. But in predominantly unionized industries, pension expense continued to be high. Metal Manufacturing and Motor Vehicles groups reported $2,589 and $1,893 per employee, respectively.

The most dramatic changes were in Commercial Banking (a 20.8% drop to $705) and Industrial and Farm Equipment (a 35.3% drop to $954 per employee).

Low pension expense among commercial banks was due in part to the fact that their pension plans have assets far in excess of the present value of accrued benefits. Return on surplus assets helps to keep pension expense down. In contrast, both the Metal Manufacturing and Motor Vehicle groups do not have extensive assets, and their plans are often underfunded.

For the first time since 1980, employment levels increased for most industrial and service groups, but only slightly. Although the Metal Manufacturing group managed a 1% increase in employment in 1984, mills operated at only 68% capacity, reflecting employee levels that remained 36% below what they were 9 years ago.

THE PER-CAPITA COMMITMENT

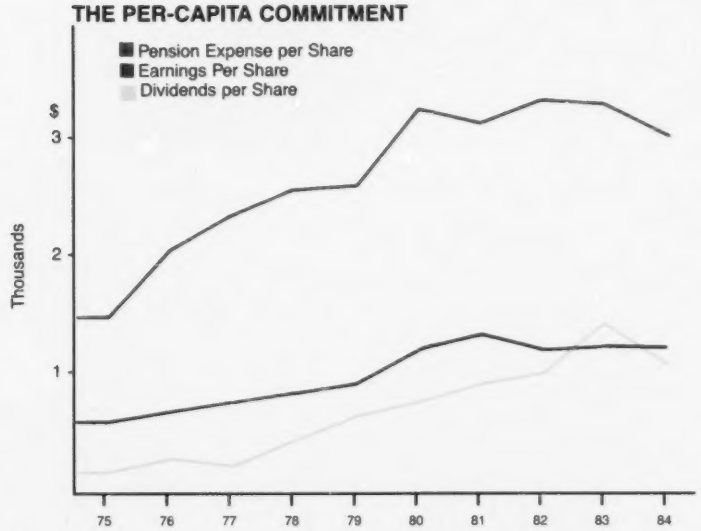

Figure 18

All three of these office equipment companies show a 1984 decline in per-capita pension expense.

One company's per capita expense is substantially higher than that of the other 2 companies; in 1984 the difference was approximately $1,000 per employee.

For many companies, pension expense peaked in 1980 and gradually moved downward. Employment levels for these companies show less variation than pension expense and remained relatively stable between 1979 and 1984.

This graph reflects pension expense and employment levels data for only those companies that reported 10 year data for both.

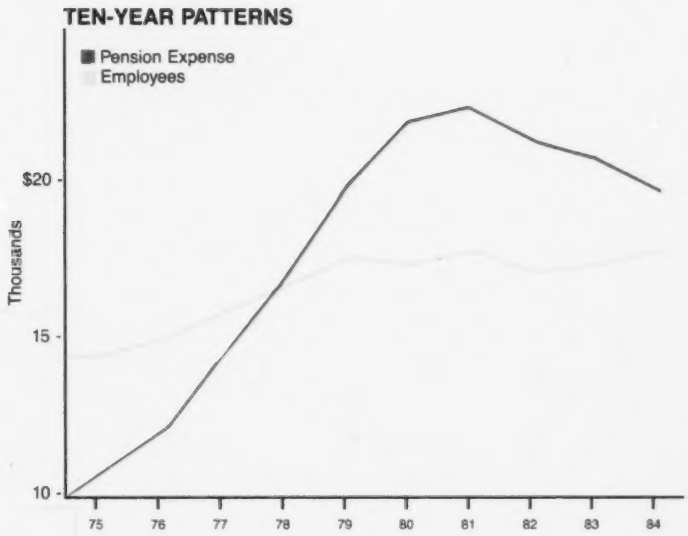

Figure 19

Over the past decade, pension expense rose—then fell—faster than the general rate of inflation. 1984 pension expense, in deflated dollars, is actually lower than 1975 pension expense.

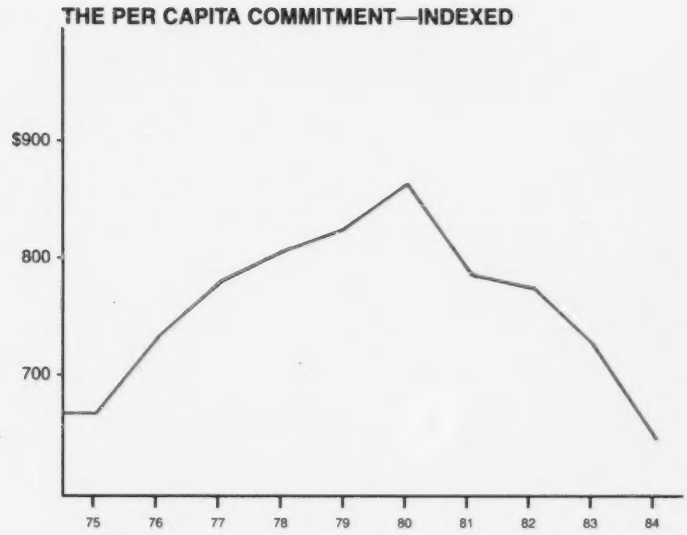

Figure 20

Exhibit 4.
Change in Pension Expense per Employee, 1984 from 1983

By Fortune 500 Ranks	Number Of Companies	Average Expense Per Employee (In Dollars) 1984	1983	Change From Previous Year (Composite)
Fortune 1-100	96	$1,431	$1,665	−14.1%
Fortune 101-200	92	969	1,123	−13.6%
Fortune 201-300	83	938	1,040	−9.8%
Fortune 301-400	85	793	907	−12.6%
Fortune 401-500	86	709	825	−14.1%
Total	442	$1,234	$1,429	−13.7%
By Industry Group				
Aerospace	17	$1,503	$1,831	−17.9%
Apparel	11	398	403	−1.2%
Beverages	8	639	666	−4.1%
Chemicals	38	1,555	1,828	−14.9%
Electronics, Appliances	43	910	974	−6.6%
Food	41	574	689	−16.7%
Furniture	2	42	68	−38.2%
Glass, Concrete, Abrasives, Gypsum	15	1,221	1,408	−13.3%
Industrial and Farm Equipment	31	954	1,474	−35.3%
Jewelry, Silverware	1	398	436	−8.7%
Measuring, Scientific, Photographic Equipment	16	1,000	1,139	−12.2%
Metal Manufacturing	24	2,589	2,893	−10.5%
Metal Products	19	987	1,028	−4.0%
Mining, Crude Oil Production	12	1,669	1,819	−8.2%
Motor Vehicles	16	1,893	2,051	−7.7%
Musical Instruments, Toys, Sporting Goods	6	341	347	−1.7%
Office Equipment (including computers)	15	1,615	1,839	−12.2%
Paper, Fiber, and Wood Products	29	894	1,015	−12.0%
Petroleum Refining	26	1,616	2,208	−26.8%
Pharmaceuticals	19	829	853	−2.8%
Publishing, Printing	16	1,171	1,189	−1.5%
Rubber, Plastic Products	11	909	993	−8.5%
Shipbuilding, Railroad, Transportation Equipment	4	689	914	−24.6%
Soaps, Cosmetics	7	607	916	−33.7%
Textiles, Vinyl Flooring	11	306	370	−17.3%
Tobacco	4	936	1,078	−13.2%
By Fortune 50 Non-Industrial Groups				
Commercial Banking	46	$ 705	$ 890	−20.8%
Retailing	38	399	409	−2.4%
Transportation	37	1,735	1,946	−10.8%
Utilities	42	2,247	2,331	−3.6%
Total	163	$ 918	$1,004	−8.6%
Industry & Non-Industry Total	605	$1,145	$1,312	−12.7%

Detailed Distribution Of Expense/Employee Ratio

Decrease	Increase Of 0-9.9%	Increase Of 10-19.9%	Increase Of 20-29.9%	Increase Of 30-39.9%	Increase Of 40-49.9%	Increase Of 50% Or More
75 (78%)	14 (15%)	3 (3%)	2 (2%)	1 (1%)	1 (1%)	0 (0%)
61 (66%)	18 (20%)	9 (10%)	2 (2%)	1 (1%)	0 (0%)	1 (1%)
60 (72%)	10 (12%)	5 (6%)	2 (2%)	0 (0%)	1 (1%)	5 (6%)
64 (75%)	11 (13%)	5 (6%)	2 (2%)	1 (1%)	0 (0%)	2 (2%)
54 (63%)	12 (14%)	7 (8%)	6 (7%)	1 (1%)	3 (3%)	3 (3%)
314 (71%)	65 (15%)	29 (7%)	14 (3%)	4 (1%)	5 (1%)	11 (2%)
15 (88%)	2 (12%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
5 (45%)	2 (18%)	2 (18%)	2 (18%)	0 (0%)	0 (0%)	0 (0%)
5 (63%)	0 (0%)	1 (13%)	2 (25%)	0 (0%)	0 (0%)	0 (0%)
31 (82%)	4 (11%)	2 (5%)	1 (3%)	0 (0%)	0 (0%)	0 (0%)
27 (63%)	11 (26%)	3 (7%)	0 (0%)	0 (0%)	0 (0%)	2 (5%)
28 (68%)	7 (17%)	3 (7%)	2 (5%)	0 (0%)	0 (0%)	1 (2%)
1 (50%)	0 (0%)	1 (50%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
11 (73%)	4 (27%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
30 (97%)	0 (0%)	1 (3%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
1 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
11 (69%)	2 (13%)	2 (13%)	0 (0%)	0 (0%)	1 (6%)	0 (0%)
20 (83%)	3 (13%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (4%)
13 (68%)	2 (11%)	1 (5%)	1 (5%)	0 (0%)	0 (0%)	2 (11%)
8 (67%)	2 (17%)	0 (0%)	0 (0%)	0 (0%)	2 (17%)	0 (0%)
12 (75%)	2 (13%)	0 (0%)	0 (0%)	2 (13%)	0 (0%)	0 (0%)
4 (67%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	2 (33%)
9 (60%)	2 (13%)	1 (7%)	2 (13%)	0 (0%)	0 (0%)	1 (7%)
17 (59%)	4 (14%)	3 (10%)	2 (7%)	1 (3%)	0 (0%)	2 (7%)
22 (85%)	3 (12%)	1 (4%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
10 (53%)	4 (21%)	4 (21%)	1 (5%)	0 (0%)	0 (0%)	0 (0%)
8 (50%)	3 (19%)	2 (13%)	1 (6%)	1 (6%)	1 (6%)	0 (0%)
6 (55%)	4 (36%)	1 (9%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
3 (75%)	1 (25%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
6 (86%)	1 (14%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
9 (82%)	1 (9%)	1 (9%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
2 (50%)	1 (25%)	0 (0%)	0 (0%)	0 (0%)	1 (25%)	0 (0%)
35 (76%)	6 (13%)	2 (4%)	0 (0%)	0 (0%)	0 (0%)	3 (7%)
17 (45%)	12 (32%)	6 (16%)	1 (3%)	0 (0%)	1 (3%)	1 (3%)
23 (62%)	8 (22%)	2 (5%)	1 (3%)	1 (3%)	0 (0%)	2 (5%)
22 (52%)	12 (29%)	4 (10%)	3 (7%)	0 (0%)	0 (0%)	1 (2%)
97 (60%)	38 (23%)	14 (9%)	5 (3%)	1 (1%)	1 (1%)	7 (4%)
411 (68%)	103 (17%)	43 (7%)	19 (3%)	5 (1%)	6 (1%)	18 (3%)

5 Pension Expense as a Percentage of Wages and Salaries, 1984 and 1983

Examining pension expense as a percentage of wages and salaries puts pension expense in a practical context and provides a measure for executives who ask, "What pension benefits do we want to provide and what can we afford?" Exhibit 5 is a fitting bridge between the Pension Expense and the Pension Funding sections of this Report, as compensation is a key element in both.

Average pension expense as a percentage of wages and salaries fell from 5.2% in 1983 to 4.3% in 1984. The weighted average ratios are 5.8% for 1983 and 4.8% for 1984. The fact that weighted ratios are higher than average ratios indicates that the large companies had higher ratios.

Moderating compensation patterns, along with expansion of the workforce, suppressed pension expense. Positive investment performance compounded the decrease, further reducing the ratio of pension expense to compensation.

In the economy in general, average wage increases fell from 5% in 1983 to 4% in 1984. Factors holding compensation in check included concession bargaining that included pay freezes or cuts and growing numbers of part-time, temporary, and self-employed workers as well as workers willing to take entry-level positions.

NOTE: Our study analyzes reported pension expense, not to be confused with Chamber of Commerce figures that measure actual contributions as a percentage of payroll.

THE COST OF LABOR

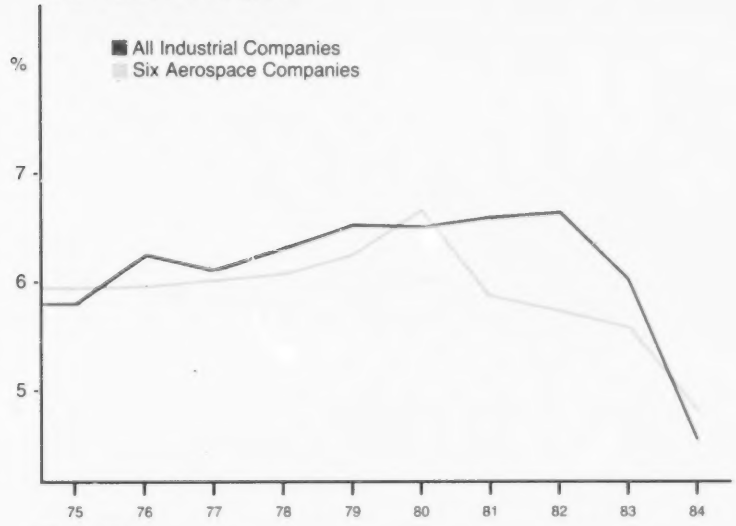

Figure 21

The cost of labor (wages and salaries, employee benefits, and other compensation-related expenses) is a significant part of the cost of doing business. Pension expense spreads the cost of deferred (pension) benefits over generations of shareholders.

Pension expense for the 500 Industrials as a group and six Aerospace companies is shown as a percentage of wages and salaries. The fluctuations differ in timing and degree, but all clearly reflect the interactions of recession, recovery, dollar devlauation, investment markets, and labor costs.

"The Aerospace industry's plan assets exceeded 100% of corporate net worth."

What pension benefits do we want and what can we afford?

Ten-year patterns in personal savings, personal income, corporate pension expense, and compensation are shown at right. Only those companies are included for which we have 10 year data.

These Fortune companies afforded $21.9 million for pensions in 1984. If the 21 million employees in all Fortune companies were participants in one immense pension plan, 1984 assets would total $355 billion.

Nationwide, Americans earned $3,012 billion in 1984. The amount set aside for retirement can only be guessed. If these wage earners held one savings account, its balance for 1984 would be $156 billion.

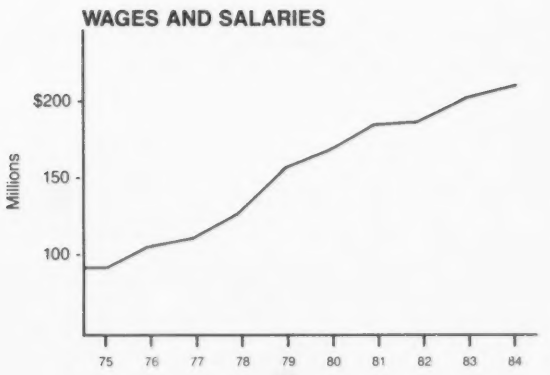

Figure 22

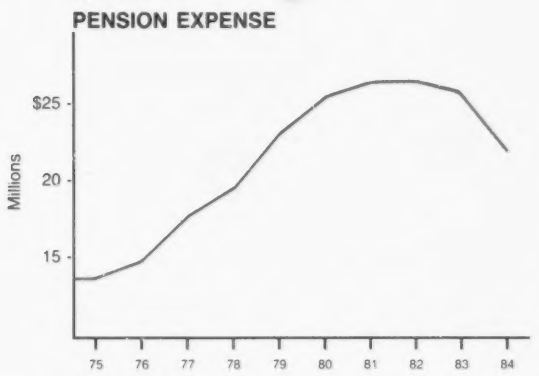

Figure 23

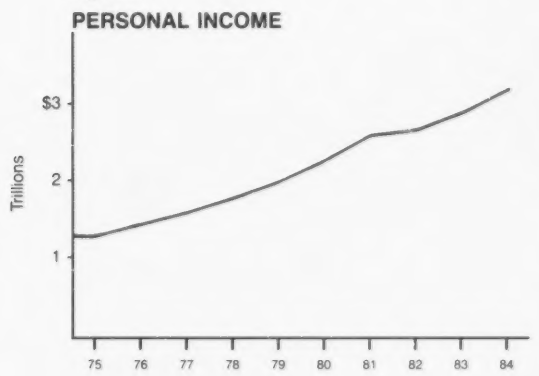

Figure 24

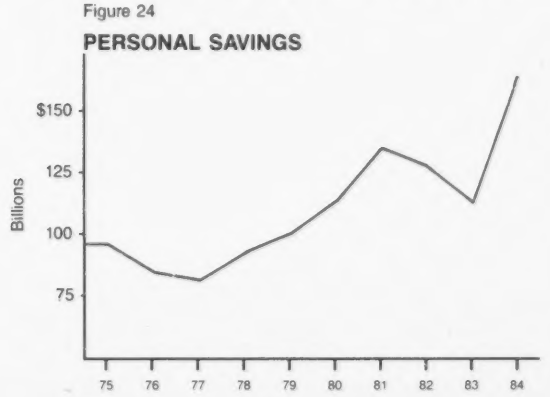

Figure 25

Exhibit 5.
Pension Expense as a Percentage of Compensation, 1983 and 1982

By Fortune 500 Ranks	Number Of Companies	Comparison To Previous Year: Pension Expense ($ Millions) 1984	Pension Expense ($ Millions) 1983	Compensation ($ Millions) 1984	Compensation ($ Millions) 1983	Pension Expense As A Percentage Of Compensation (Composite) 1984	Pension Expense As A Percentage Of Compensation (Composite) 1983
Fortune 1-100	46	$ 7,314.6	$ 8,418.0	$141,531.0	$132,400.8	5.2%	6.4%
Fortune 101-200	29	735.7	890.7	22,089.1	20,931.4	3.3%	4.3%
Fortune 201-300	22	410.7	478.7	9,861.6	8,995.2	4.2%	5.3%
Fortune 301-400	16	158.0	178.3	3,799.1	3,516.5	4.2%	5.1%
Fortune 401-500	12	70.1	81.4	1,944.4	1,749.0	3.6%	4.7%
Total	125	$ 8,689.1	$10,047.1	$179,225.2	$167,592.9	4.8%	6.0%
By Fortune 50 Non-Industrial Groups							
Commercial Banking	46	$ 479.4	$ 567.2	$ 18,359.8	$ 16,136.8	2.6%	3.5%
Transportation	21	1,191.9	1,175.6	24,142.9	22,352.1	4.9%	5.3%
Utilities	29	955.2	944.1	14,149.6	13,080.1	6.8%	7.2%
Total	96	$ 2,626.5	$ 2,686.9	$ 56,652.3	$ 51,579.0	4.6%	5.2%
Industry & Non-Industry Total	221	$11,315.6	$12,734.0	$235,877.5	$219,171.9	4.8%	5.8%

Detailed Distribution Of Expense/Compensation Ratio

Pension Expense Equal To 0-4.9% Of Compensation		Pension Expense Equal To 5-9.9% Of Compensation		Pension Expense Equal To 10-14.9% Of Compensation		Pension Expense Equal To 15-19.9% Of Compensation		Pension Expense Equal To 20% Or More Of Compensation	
1984	1983	1984	1983	1984	1983	1984	1983	1984	1983
28 (61%)	20 (43%)	17 (37%)	25 (54%)	1 (2%)	1 (2%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
23 (76%)	19 (66%)	6 (21%)	8 (28%)	0 (0%)	1 (3%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
15 (68%)	12 (55%)	6 (27%)	9 (41%)	1 (5%)	0 (0%)	0 (0%)	1 (5%)	0 (0%)	0 (0%)
12 (75%)	8 (50%)	2 (13%)	6 (38%)	1 (6%)	1 (6%)	1 (6%)	1 (6%)	0 (0%)	0 (0%)
10 (83%)	8 (67%)	2 (17%)	3 (25%)	0 (0%)	1 (8%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
88 (70%)	67 (54%)	33 (26%)	51 (41%)	3 (2%)	4 (3%)	1 (1%)	2 (2%)	0 (0%)	0 (0%)
45 (98%)	40 (87%)	0 (0%)	5 (11%)	0 (0%)	0 (0%)	1 (2%)	0 (0%)	0 (0%)	1 (2%)
10 (48%)	8 (38%)	11 (52%)	13 (62%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
9 (31%)	7 (24%)	19 (66%)	20 (69%)	1 (3%)	2 (7%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
64 (67%)	55 (57%)	30 (31%)	38 (40%)	1 (1%)	2 (2%)	1 (1%)	0 (0%)	0 (0%)	1 (1%)
152 (68%)	122 (55%)	63 (29%)	89 (40%)	4 (2%)	6 (3%)	2 (1%)	2 (1%)	0 (0%)	1 (0%)

Pension Funding

The PENSION FUNDING part of this study examines plan assets in the light of pension obligations. The value of both vested and non-vested benefits is measured against plan assets, and also against the sponsoring corporation's net worth.

Ongoing annual pension plan expense, examined in the earlier Exhibits, is governed by Accounting Principles Board Opinion Number Eight. In the PENSION FUNDING section, Financial Accounting Standards Board (FASB) Statement Number 36 governs. *The interest rates disclosed under FASB Statement Number 36 are not necessarily the same as those used in the calculation of ongoing pension plan expense.*

"Over 87% of the companies in this study have fully funded all their accumulated pension benefits, non-vested as well as vested."

How Will The Financial Accounting Standards Board's (FASB) Proposed Guidelines For Pension Accounting Affect Assets/Liabilities Ratios?

The new standards will require companies to:

- Value plan obligations at a uniform interest rate. If companies have been reporting at a higher interest rate, they will now have a greater "liability," for reporting purposes.
- Include non-vested benefits and expected future pay raises for current employees in calculating the pension obligations. The present value of total accumulated benefits will rise, and the ratio of plan obligations, the "funded ratio," will drop.

This graph demonstrates the effect of projected salary increases on the funded ratios of 6 companies in our study.

Treating salary projections as pension obligations produces dramatic reductions in funded ratios. These companies' pension plans are well funded even under the proposed standards. For example, one oil company reports $4,926 million in assets, with obligations of $2,909 million. The new guidelines would bring the liabilities to $3,628 million, leaving a "surplus" either way. But the difference in funded ratio is dramatic: for these 6 companies, the composite funded ratio drops from 155.3% to 115% for industrials, and from 146% to 106% for service companies.

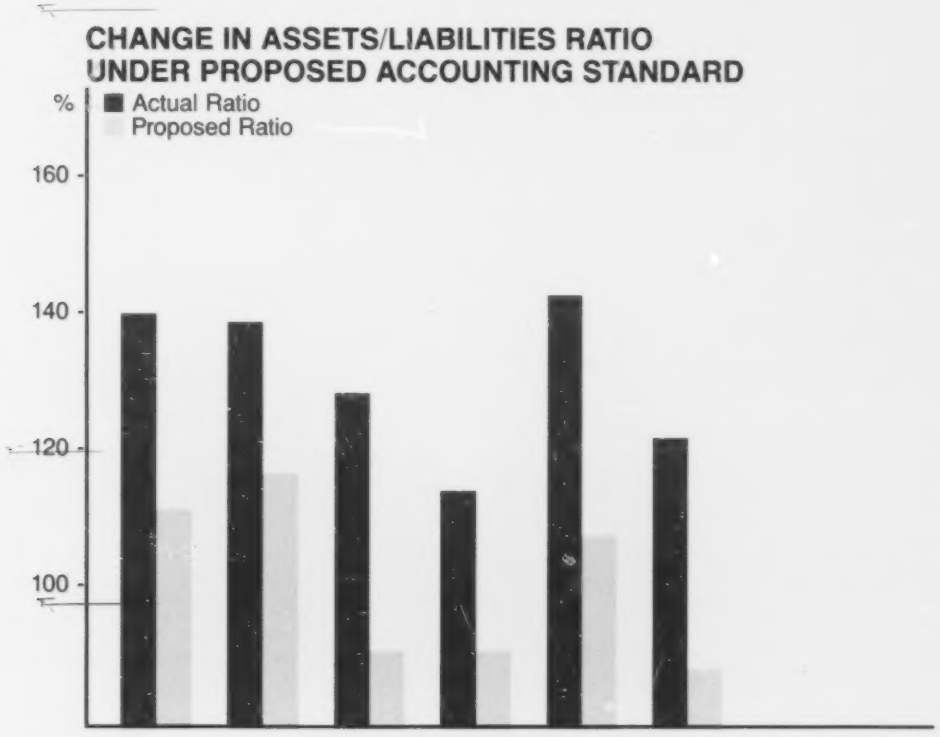

Figure 26

6 Ratio of Plan Assets to Present Value of Vested Benefits with Reported Interest Rates, 1984

Asset growth slowed in 1984 as the equity and debt markets leveled out. The composite industrial company had $621.2 million in plan assets at the end of 1984, and the composite service company had $585.4 million.

Despite lower pension costs and flat stock and bond markets, the number of pension plans achieving full funding of vested benefits grew. Over 91% of the companies in our sample reported assets in excess of vested benefit values. This is an increase from the 88.6% reported last year.

More than a third of the industrial companies reporting unfunded vested benefits were in the Metal Manufacturing and Motor Vehicles groups. Overall, these companies experienced a slight erosion in funded ratio since 1983, decreasing from 98.4% to 96.5%. The decline may be largely statistical. Companies almost fully funded in 1983 may have left the underfunded groups in 1984, leaving those companies with a higher average deficit.

The Motor Vehicles group also had the lowest ratio of present value of vested benefits to total accumulated benefits—about 75%. The composite for the sample universe is 91%.

Among service companies, four companies in the Transportation group continued to have significant vested benefits unmatched by plan assets.

The average interest rate for determining the value of pension benefits reported in compliance with FASB Statement 36 climbed to 8.17%. (The degree to which this interest rate assumption depicts a plan as well-funded or underfunded is illustrated graphically in Chapter 8.)

In calculating the composite ratio, we exclude the portion of assets that exceeds 100% of the value of benefits in the fully funded group. This adjusted ratio gives a fairer measure of aggregate funding status by preventing the distortion otherwise caused by overfunded plans.

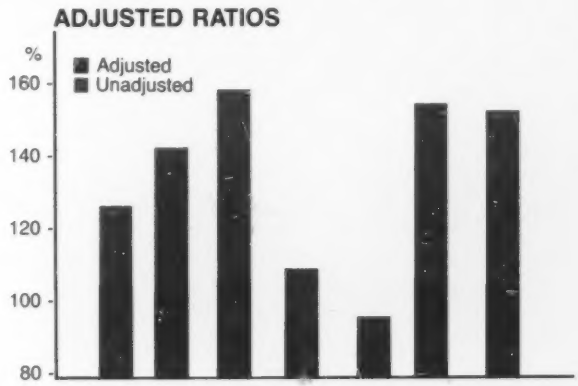

Figure 27

About Methodology:

The number of companies reporting a discrete FASB-36 interest rate assumption continued to decline. To maintain the integrity of comparative data from year to year, we confine our analysis to those companies that reported a single weighted average interest rate assumed in valuing their plans' benefits.

We separate the plans into two groups: fully funded (value of assets equals or exceeds value of vested benefits) and partially funded (value of assets is less than value of vested benefits). In both settings, the value of vested benefits is based on the FASB-36 interest rate assumption reported.

A third setting combines both groups and presents overall averages, along with a composite ratio of assets to benefits liabilities. In calculating the composite ratio, we exclude the portion of assets that exceeds 100% of the value of benefits in the fully funded group. This adjusted ratio gives a fairer measure of aggregate funding status by preventing the distortion otherwise caused by overfunded plans.

This methodology is used in Chapters 6, 7, and 8.

The assets to present value of vested benefits ratio is only one measure of a plan's ability to pay promised benefits. Pension plans in the Petroleum Refining, Aerospace, Mining, Crude Oil, Furniture, and Soaps and Cosmetics industries appear to be extremely well funded. Long range corporate objectives may require this kind of aggressive funding.

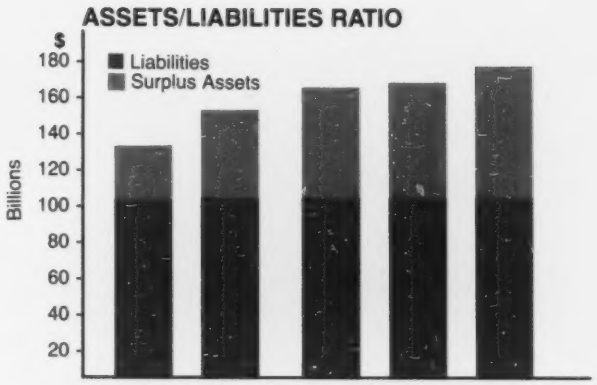

Figure 28

A funded ratio may be more than a comment on a plan's funded status: it may reflect a funding policy. Many factors contribute to a company's funding decisions, such as company size, type of business, and average age and turnover of the work force.

If this bank's pension assets had remained level from 1983 to 1984, its assets/vested benefits ratio would still have been substantial—206%, rather than the 233% it actually reached.

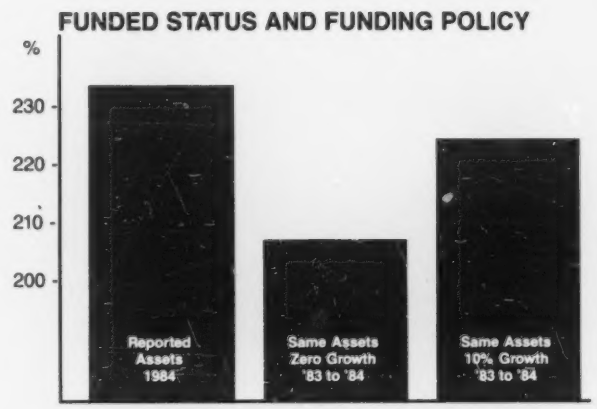

Figure 29

WHAT IS THE PREFERRED ASSETS/LIABILITIES RATIO?

	Industrial Companies			Non-Industrial Companies			All Companies		
	1984	1983	1982	1984	1983	1982	1984	1983	1982
Number of Companies	378	376	402	141	150	148	519	526	550
Funded Ratio (Vested Benefits)	97.9%	97.2%	94.7%	99.4%	99.4%	97.5%	98.2%	97.7%	95.4%
Average FASB-36 Interest Rate	8.22%	8.01%	7.89%	8.03%	7.81%	7.75%	8.17%	7.96%	7.85%

Figure 30

Sound financial management may dictate one pension funding level over another. Interest rate assumptions also affect the funded ratio. This table displays average reported interest rate assumptions for the past 3 years and the funded ratios they produced.

Exhibit 6.
Ratio of Plan Assets to Present Value of Vested Benefits, with Reported Interest Rates, 1984

By Fortune 500 Ranks	Number Of Companies	Vested Benefits ($ Millions)	Plan Assets ($ Millions)	Interest Rate Assumption (Average)	Plan Assets To PVVB (Composite)
	Companies Having Plan Assets Equal To 100% Or More Of Present Value Of Vested Benefits				
Fortune 1-100	81	$103,060.3	$145,855.1	8.45%	141.5%
Fortune 101-200	72	20,256.2	28,079.6	8.42%	138.6%
Fortune 201-300	57	6,428.8	9,278.0	8.29%	144.3%
Fortune 301-400	61	4,035.7	5,958.9	7.91%	147.7%
Fortune 401-500	70	3,189.6	4,530.5	7.79%	142.0%
Total	341	$136,970.6	$193,702.1	8.18%	141.4%
By Industry Group					
Aerospace	14	$ 16,497.6	$ 23,735.3	8.05%	143.9%
Apparel	9	638.7	931.1	8.11%	145.8%
Beverages	7	934.8	1,545.4	8.29%	165.3%
Chemicals	34	17,102.4	23,966.0	8.24%	140.1%
Electronics, Appliances	29	24,097.1	37,296.3	7.87%	154.8%
Food	31	5,064.0	7,181.6	8.17%	141.8%
Furniture	2	58.5	94.8	8.75%	162.1%
Glass, Concrete, Abrasives, Gypsum	9	2,077.5	2,709.9	8.53%	130.4%
Industrial and Farm Equipment	26	7,447.4	10,321.5	8.14%	138.6%
Jewelry, Silverware	0	0.0	0.0	0.00%	0.0%
Measuring, Scientific, Photographic Equipment	13	5,260.8	7,673.3	7.97%	145.9%
Metal Manufacturing	15	5,838.5	6,755.3	9.05%	115.7%
Metal Products	15	1,083.1	1,566.2	8.40%	144.6%
Mining, Crude Oil Production	9	512.1	800.6	8.00%	156.3%
Motor Vehicles	9	2,440.7	3,086.6	8.24%	126.5%
Musical Instruments, Toys, Sporting Goods	3	249.4	402.3	8.33%	161.3%
Office Equipment (including computers)	13	10,807.7	16,989.1	7.69%	157.2%
Paper, Fiber, and Wood Products	26	5,727.9	7,210.9	8.11%	125.9%
Petroleum Refining	21	19,818.3	25,296.5	8.31%	127.6%
Pharmaceuticals	17	3,401.3	5,058.1	8.05%	148.7%
Publishing, Printing	13	1,273.9	2,072.2	7.76%	162.7%
Rubber, Plastic Products	6	3,012.3	3,571.6	8.62%	118.6%
Shipbuilding, Railroad, Transportation Equipment	2	385.7	413.6	7.00%	107.2%
Soaps, Cosmetics	7	841.2	1,419.7	8.67%	168.8%
Textiles, Vinyl Flooring	7	688.2	1,157.4	8.54%	168.2%
Tobacco	4	1,712.6	2,448.1	8.40%	142.9%
By Fortune 50 Non-Industrial Groups					
Commercial Banking	33	$ 3,627.9	$ 6,239.3	8.33%	172.0%
Retailing	32	5,217.9	7,512.6	7.91%	144.0%
Transportation	24	4,542.6	6,537.3	7.89%	143.9%
Utilities	45	37,372.4	59,085.1	7.96%	158.1%
Total	134	$ 50,760.8	$ 79,374.3	8.03%	156.4%
Industry & Non-Industry Total	475	$187,731.4	$273,076.4	8.14%	145.5%

Companies Having Plan Assets Equal To Less Than 100% Of Present Value Of Vested Benefits					Combined Figures—All Companies			
Number Of Companies	Vested Benefits ($ Millions)	Plan Assets ($ Millions)	Interest Rate Assumption (Average)	Plan Assets To PVVB (Composite)	Number Of Companies	Interest Rate Assumption (Average)	Plan Assets To PVVB (Adjusted Composite)	Average Plan Assets Per Company ($ Millions)
7	$38,102.0	$35,518.4	8.99%	93.2%	88	8.49%	98.2%	$2,061.1
9	4,266.1	3,636.6	9.01%	85.2%	81	8.49%	97.4%	391.6
7	1,637.7	1,126.4	9.21%	68.8%	64	8.39%	93.7%	162.6
7	721.5	609.1	8.14%	84.4%	68	7.93%	97.6%	96.6
7	266.2	243.7	7.43%	91.5%	77	7.76%	99.4%	62.0
37	$44,993.5	$41,134.2	8.58%	91.4%	378	8.22%	97.9%	$ 621.2
0	$ 0.0	$ 0.0	0.00%	0.0%	14	8.05%	100.0%	$1,695.4
0	0.0	0.0	0.00%	0.0%	9	8.11%	100.0%	103.5
0	0.0	0.0	0.00%	0.0%	7	8.29%	100.0%	220.8
1	242.9	218.4	7.00%	89.9%	35	8.20%	99.9%	691.0
5	541.3	465.5	8.30%	86.0%	34	7.94%	99.7%	1,110.6
3	354.2	316.2	8.00%	89.3%	34	8.16%	99.3%	220.5
0	0.0	0.0	0.00%	0.0%	2	8.75%	100.0%	47.4
2	464.1	432.1	9.50%	93.1%	11	8.71%	98.7%	285.6
2	510.8	503.3	7.00%	98.5%	28	8.06%	99.9%	386.6
0	0.0	0.0	0.00%	0.0%	0	0.00%	0.0%	0.0
1	70.6	60.2	6.50%	85.3%	14	7.86%	99.8%	552.4
8	5,909.5	4,929.4	9.71%	83.4%	23	9.28%	91.7%	508.0
3	1,079.0	1,050.5	9.17%	97.4%	18	8.53%	98.7%	145.4
0	0.0	0.0	0.00%	0.0%	9	8.00%	100.0%	89.0
5	34,687.1	32,376.6	8.99%	93.3%	14	8.51%	93.8%	2,533.1
1	5.4	4.4	7.00%	81.4%	4	8.00%	99.6%	101.7
0	0.0	0.0	0.00%	0.0%	13	7.69%	100.0%	1,306.9
3	347.7	304.4	7.50%	87.5%	29	8.04%	99.3%	259.1
0	0.0	0.0	0.00%	0.0%	21	8.31%	100.0%	1,204.6
0	0.0	0.0	0.00%	0.0%	17	8.05%	100.0%	297.5
0	0.0	0.0	0.00%	0.0%	13	7.76%	100.0%	159.4
2	742.6	442.6	9.20%	59.6%	8	8.76%	92.0%	501.8
0	0.0	0.0	0.00%	0.0%	2	7.00%	100.0%	206.8
0	0.0	0.0	0.00%	0.0%	7	8.67%	100.0%	202.8
1	38.2	30.7	7.50%	80.4%	8	8.41%	99.0%	148.5
0	0.0	0.0	0.00%	0.0%	4	8.40%	100.0%	612.0
0	$ 0.0	$ 0.0	0.00%	0.0%	33	8.33%	100.0%	$ 189.1
1	123.7	112.6	9.00%	91.0%	33	7.95%	99.8%	231.1
4	2,912.4	2,598.9	8.50%	89.2%	28	7.98%	95.8%	326.3
2	485.2	457.2	7.00%	94.2%	47	7.92%	99.9%	1,266.9
7	$ 3,521.3	$ 3,168.7	8.14%	90.0%	141	8.03%	99.4%	585.4
44	$48,514.8	$44,302.9	8.51%	91.3%	519	8.17%	98.2%	$ 611.5

7 Ratio of Plan Assets to Present Value of Total Accumulated Benefits, with Reported Interest Rates, 1984

Over 87% of the companies in this study have fully funded all their accumulated pension benefits, non-vested as well as vested. The composite funded ratio is 134.8%, compared with 134.9% in 1983.

The typical bank in the sample has $26 billion in corporate assets, reports pension assets of $189 million, and is funded 55% in excess of the present value of total accumulated benefits. If the bank were to terminate a plan, purchasing annuities at the interest rates used in its annual report, it would recover net assets of $67 million, edging its corporate assets up a mere .26%.

The figures in Exhibit 7 provide an indication of the potential for and size of asset reversions in the event of a plan termination. The figures are approximate because of the differences in interest rates used.

Half of the companies in the Metal Manufacturing and Motor Vehicles groups report accumulated benefits unmatched by plan assets—average present value of total accumulated benefits: $7 billion. The Motor Vehicles group as a whole has the highest average present value of total accumulated benefits per company—close to $3 billion per company—indicating the importance of automobile company pension plans in the total picture. By comparison, the Petroleum Refining group averages just over $1 billion per company, although 11 of these companies are among the top 20 *Fortune* Industrials.

THE ASSETS/LIABILITIES RATIO WHEN NON-VESTED BENEFITS ARE INCLUDED

	Industrial Companies			Non-Industrial Companies			All Companies		
	1984	1983	1982	1984	1983	1982	1984	1983	1982
Number of Companies	378	376	402	141	150	147	519	526	550
% Funded—Total Accumulated Benefits	95.3%	94.0%	91.1%	99.1%	99.1%	97.2%	96.2%	95.3%	92.5%
Average FASB-36 Interest Rate	8.22%	8.01%	7.89%	8.03%	7.81%	7.76%	8.17%	7.96%	7.86%

Figure 30A

Adding non-vested to vested benefits lowers the pension funded ratio. This table shows the resulting three-year funded ratios with average reported interest rate assumptions.

"Terminations of underfunded plans left the PBGC with a $462 million deficit for fiscal year 1984. By November 1985, this figure reached $1.2 billion."

The Motor Vehicles group has the lowest ratio of vested to non-vested total benefits: 75% (the composite is 91%). This group also has the greatest average total pension obligation per company: almost $3 billion. Under proposed accounting changes, these companies will have additional combined non-vested benefits of $4.6 billion.

This graph portrays the range of proportions of vested and non-vested benefits among the seven industry groups with the largest average obligations: Aerospace, Electronics, Metal Manufacturing, Motor Vehicles, Office Equipment, Petroleum, Refining, and Utilities.

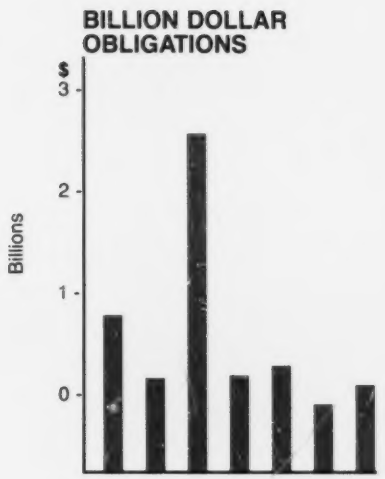

Figure 31

The percentage of vested benefits in pension plans of the same industry groups is depicted in this graph.

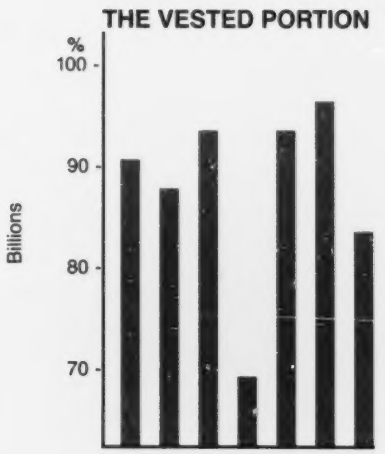

Figure 32

Many companies' plans now have substantial surplus assets. Companies have considerable leeway in deciding funding policy in light of all other corporate commitments. Tax considerations or planning for major corporate expenditures may encourage high pension contributions now that can be responsibly tempered later.

Surpluses may also be accumulating according to basic plan design. A long-standing plan with a maturing work force may be developing this funded level in preparation for major retirement pay-outs.

Surpluses serve as a shield against the erosive effects of inflation and falling interest rates. In some instances, companies have directed investment returns on surpluses to fund retirees cost of living increases.

Exhibit 7.
Ratio of Plan Assets to Present Value of Total Accumulated Benefits, with Reported Interest Rates, 1984

	Companies Having Plan Assets Equal To 100% Or More Of Present Value Of Total Accumulated Benefits				
By Fortune 500 Ranks	Number Of Companies	Total Accumulated Benefits ($ Millions)	Total Plan Assets ($ Millions)	Interest Rate Assumption (Average)	Plan Assets To PVAB (Composite)
Fortune 1-100	76	$106,283.0	$140,332.9	8.36%	132.0%
Fortune 101-200	66	19,931.9	26,035.1	8.38%	130.6%
Fortune 201-300	56	6,767.3	9,038.4	8.29%	133.6%
Fortune 301-400	58	4,193.0	5,702.0	7.83%	136.0%
Fortune 401-500	66	3,234.4	4,282.0	7.79%	132.4%
Total	322	$140,409.6	$185,390.4	8.14%	132.0%
By Industry Group					
Aerospace	14	$ 18,226.1	$ 23,735.3	8.05%	130.2%
Apparel	8	532.6	784.7	8.16%	147.3%
Beverages	7	1,081.4	1,545.4	8.29%	142.9%
Chemicals	33	16,789.1	22,652.0	8.24%	134.9%
Electronics, Appliances	29	27,220.7	37,296.3	7.87%	137.0%
Food	28	4,669.9	6,405.7	7.99%	137.2%
Furniture	2	61.9	94.8	8.75%	153.2%
Glass, Concrete, Abrasives, Gypsum	9	2,308.8	2,709.9	8.53%	117.4%
Industrial and Farm Equipment	25	8,037.2	10,282.6	8.11%	127.9%
Jewelry, Silverware	0	0.0	0.0	0.00%	0.0%
Measuring, Scientific, Photographic Equipment	13	5,567.8	7,673.3	7.97%	137.3%
Metal Manufacturing	12	2,802.8	3,363.3	8.58%	120.0%
Metal Products	15	1,198.9	1,566.2	8.40%	130.6%
Mining, Crude Oil Production	9	581.3	800.6	8.00%	137.7%
Motor Vehicles	6	1,940.6	2,380.2	8.00%	122.7%
Musical Instruments, Toys, Sporting Goods	2	263.4	398.5	8.00%	151.3%
Office Equipment (including computers)	12	11,591.0	16,986.5	7.75%	146.5%
Paper, Fiber, and Wood Products	26	6,143.9	7,210.9	8.11%	117.4%
Petroleum Refining	21	21,032.2	25,296.5	8.31%	120.3%
Pharmaceuticals	16	3,074.2	4,503.2	8.12%	146.5%
Publishing, Printing	13	1,356.2	2,072.2	7.76%	152.8%
Rubber, Plastic Products	4	2,637.7	2,977.4	8.50%	112.9%
Shipbuilding, Railroad, Transportation Equipment	1	87.5	100.9	6.50%	115.3%
Soaps, Cosmetics	7	931.9	1,419.7	8.67%	152.3%
Textiles, Vinyl Flooring	7	755.1	1,157.4	8.54%	153.3%
Tobacco	3	1,498.4	1,978.2	8.33%	132.0%
By Fortune 50 Non-Industrial Groups					
Commercial Banking	33	$ 4,027.2	$ 6,239.3	8.33%	154.9%
Retailing	29	5,392.7	7,187.9	7.92%	133.3%
Transportation	24	4,739.0	6,537.3	7.89%	137.9%
Utilities	45	41,730.1	59,085.1	7.96%	141.6%
Total	131	$ 55,889.0	$ 79,049.6	8.03%	141.4%
Industry & Non-Industry Total	453	$196,298.6	$264,440.0	8.11%	134.7%

Companies Having Plan Assets Less Than 100% Of Present Value Of Total Accumulated Benefits					Combined Figures — All Companies		
Number Of Companies	Total Accumulated Benefits ($ Millions)	Total Plan Assets ($ Millions)	Interest Rate Assumption (Average)	Plan Assets To PVAB (Composite)	Number Of Companies	Interest Rate Assumption (Average)	Plan Assets To PVAB (Adjusted Composite)
12	$48,554.4	$41,040.6	9.32%	84.5%	88	8.49%	95.1%
15	6,686.1	5,681.0	8.94%	85.0%	81	8.49%	96.2%
8	1,957.9	1,366.0	9.13%	69.8%	64	8.39%	93.2%
10	1,060.7	866.0	8.52%	81.6%	68	7.93%	96.3%
11	540.4	492.3	7.59%	91.1%	77	7.76%	98.7%
56	$58,799.5	$49,445.9	8.71%	84.1%	378	8.22%	95.3%
0	$ 0.0	$ 0.0	0.00%	0.0%	14	8.05%	100.0%
1	154.0	146.4	7.70%	95.1%	9	8.11%	98.9%
0	0.0	0.0	0.00%	0.0%	7	8.29%	100.0%
2	1,717.7	1,532.4	7.50%	89.2%	35	8.20%	99.0%
5	598.4	465.5	8.30%	77.8%	34	7.94%	99.5%
6	1,180.6	1,092.1	8.93%	92.5%	34	8.16%	98.5%
0	0.0	0.0	0.00%	0.0%	2	8.75%	100.0%
2	504.1	432.1	9.50%	85.7%	11	8.71%	97.4%
3	573.6	542.2	7.67%	94.5%	28	8.06%	99.6%
0	0.0	0.0	0.00%	0.0%	0	0.00%	0.0%
1	71.1	60.2	6.50%	84.7%	14	7.86%	99.8%
11	9,814.4	8,321.4	10.04%	84.8%	23	9.28%	88.2%
3	1,118.3	1,050.5	9.17%	93.9%	18	8.53%	97.1%
0	0.0	0.0	0.00%	0.0%	9	8.00%	100.0%
8	39,798.0	33,083.0	8.89%	83.1%	14	8.51%	83.9%
2	10.4	8.2	8.00%	78.8%	4	8.00%	99.2%
1	4.8	2.6	7.00%	54.2%	13	7.69%	100.0%
3	374.6	304.4	7.50%	81.3%	29	8.04%	98.9%
0	0.0	0.0	0.00%	0.0%	21	8.31%	100.0%
1	605.6	554.9	7.00%	91.6%	17	8.05%	98.6%
0	0.0	0.0	0.00%	0.0%	13	7.76%	100.0%
4	1,369.3	1,036.8	9.03%	75.7%	8	8.76%	91.7%
1	375.8	312.7	7.50%	83.2%	2	7.00%	86.4%
0	0.0	0.0	0.00%	0.0%	7	8.67%	100.0%
1	42.5	30.7	7.50%	72.2%	8	8.41%	98.5%
1	486.4	469.9	8.60%	96.6%	4	8.40%	99.2%
0	$ 0.0	$ 0.0	0.00%	0.0%	33	8.33%	100.0%
4	461.9	437.3	8.13%	94.7%	33	7.95%	99.6%
4	3,011.0	2,598.9	8.50%	86.3%	28	7.98%	94.7%
2	542.5	457.2	7.00%	84.3%	47	7.92%	99.8%
10	$ 4,015.4	$ 3,493.4	8.05%	87.0%	141	8.03%	99.1%
66	$62,814.9	$52,939.3	8.61%	84.3%	519	8.17%	96.2%

8 Effect of Interest Rate Assumption on Unfunded Vested Benefits, 1984

The most important assumption in determining a pension plan's liabilities is the interest rate used to discount the value of expected benefits. Exhibit 8 presents estimates of unfunded vested benefits under two different standardized assumptions:

7%—a conservative, long-term rate held stable over an extended period.

9.25%—a rate at which obligations could be settled upon termination of the plan. This is the rate that would have been applied by the Pension Benefit Guaranty Corporation (PBGC) as of 12/31/84, to the typical plan termination.

The rates and corresponding liabilities in Exhibit 8 closely approximate termination liabilities, but should not be interpreted as such because of the effects of other variables. Interest rates for annuity settlements dropped dramatically during 1985. However, the prevalent PBGC rates for 1984 annual reports were higher than those for the 1983 annual reports.

The average unfunded vested benefits liability stood at $95.7 million per company in 1984. The year before, the reported deficit was $84.9 million per company. The number of companies with pension assets insufficient for expected liabilities dropped from 60 to 44. With a smaller number of companies accounting for the overall unfunded liabilities, the average deficit per company increased.

The Metal Manufacturing and Motor Vehicles groups account for about 85% of the vested benefits the industrial companies report as unfunded. For both groups, at the more liberal PBGC interest rate, the number of companies with unfunded vested benefits remains the same, but the value of unfunded vested benefits increases because on average, the actuarial assumptions for these companies are higher than the PBGC rate. This is an indication that these companies expect to meet vested obligations via high investment returns.

Unfunded Vested Benefits (UVB) By FASB-36 Interest Rate, 1984 and 1983

FASB-36 Interest Rate Assumption	Total Number Of Companies		Number Of Companies With No UVB		Number Of Companies With UVB		Total UVB ($ Millions)	
	1984	1983	1984	1983	1984	1983	1984	1983
4.50- 4.99	—	—	—	—	—	—	0.0	0.0
5.00- 5.49	1	2	1	2	—	—	0.0	0.0
5.50- 5.99	2	3	2	3	—	—	0.0	0.0
6.00- 6.49	18	30	17	29	1	1	3.9	10.2
6.50- 6.99	14	19	13	18	1	1	10.4	11.7
7.00- 7.49	80	92	74	79	6	13	1053.4	1150.8
7.50- 7.99	45	55	42	51	3	4	9.2	35.8
8.00- 8.49	122	118	113	105	9	13	298.9	447.3
8.50- 8.99	56	39	54	34	2	5	119.1	303.1
9.00- 9.49	85	71	77	64	8	7	514.0	844.4
9.50- 9.99	23	27	19	24	4	3	57.8	972.4
10.00-10.99	22	16	17	13	5	3	1688.3	257.3
11.00-11.99	5	6	5	5	—	1	0.0	35.0
12.00-12.99	4	1	2	1	2	—	349.3	0.0
13.00-13.99	2	—	2	—	—	—	0.0	0.0
14.00-14.99	—	—	—	—	—	—	0.0	0.0

"None of us really understands what's going on with all these numbers—"

David Stockman
Former Director of Office of Management and Budget

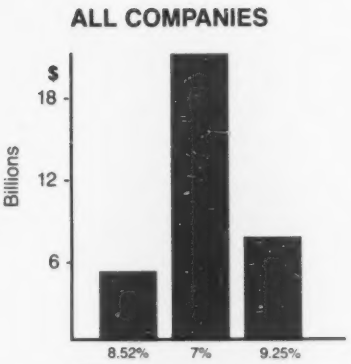

Figure 33

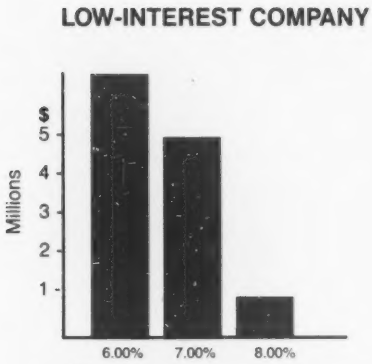

Figure 34

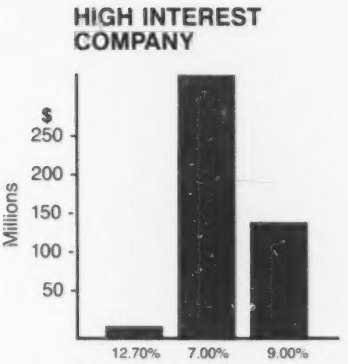

Figure 35

If all companies had valued plan obligations at a uniform interest rate of 7%, unfunded vested benefits for the whole survey group would have been dramatically higher than the amounts reported. Unfunded vested benefits still would be significantly higher if companies used a rate of 9.25%—the rate applied by the PBGC to the typical plan termination.

More companies in the Service sector would approach full funding levels, if uniform assumed interest rates were applied, than would Industrials.

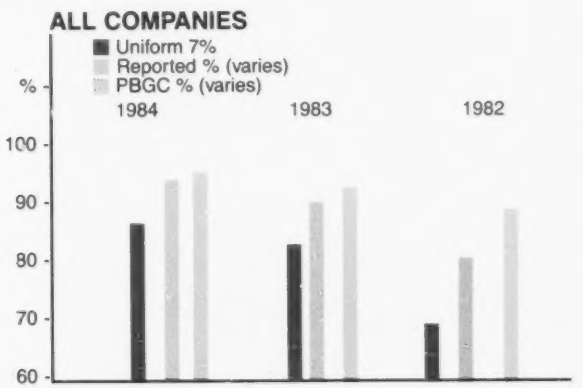

Figure 36

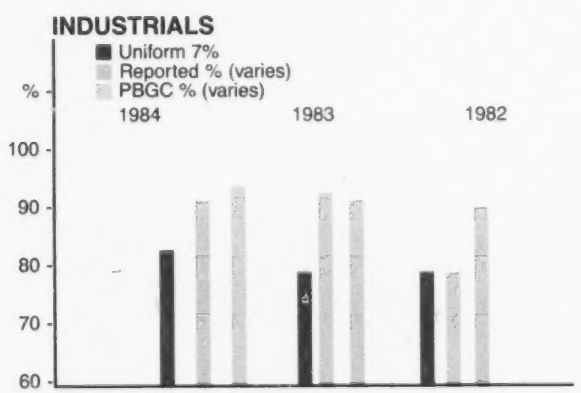

Figure 37

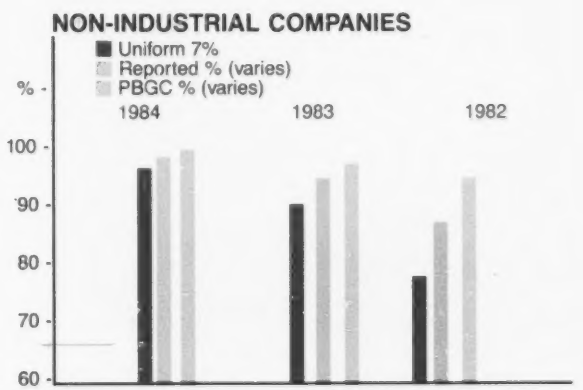

Figure 38

Exhibit 8.
Effect of Interest Rate Assumption on Unfunded Vested Benefits, 1984

By Fortune 500 Ranks	Number Of Companies	Lowest Reported FASB–36 Interest Rate	Highest Reported FASB-36 Interest Rate	Average Reported FASB-36 Interest Rate	Number Of Companies With No UVB Reported	Average FASB-36 Interest Rate If No UVB Reported
Fortune 1-100	88	6.00%	13.50%	8.49%	81	8.45%
Fortune 101-200	81	6.00%	13.00%	8.49%	72	8.42%
Fortune 201-300	64	5.50%	11.80%	8.39%	57	8.29%
Fortune 301-400	68	5.50%	10.20%	7.93%	61	7.91%
Fortune 401-500	77	6.00%	10.50%	7.76%	70	7.79%
Total	378	5.50%	13.50%	8.22%	341	8.18%
By Industry Group						
Aerospace	14	6.00%	11.50%	8.05%	14	8.05%
Apparel	9	7.00%	10.00%	8.11%	9	8.11%
Beverages	7	6.00%	10.50%	8.29%	7	8.29%
Chemicals	35	6.50%	12.00%	8.20%	34	8.24%
Electronics, Appliances	34	6.00%	10.00%	7.94%	29	7.87%
Food	34	5.50%	12.10%	8.16%	31	8.17%
Furniture	2	8.00%	9.50%	8.75%	2	8.75%
Glass, Concrete, Abrasives, Gypsum	11	8.00%	9.50%	8.71%	9	8.53%
Industrial and Farm Equipment	28	6.00%	10.50%	8.06%	26	8.14%
Jewelry, Silverware	0	0.00%	0.00%	0.00%	0	0.00%
Measuring, Scientific, Photographic Equipment	14	6.50%	9.50%	7.86%	13	7.97%
Metal Manufacturing	23	6.00%	13.50%	9.28%	15	9.05%
Metal Products	18	6.90%	10.00%	8.53%	15	8.40%
Mining, Crude Oil Production	9	6.00%	11.00%	8.00%	9	8.00%
Motor Vehicles	14	6.50%	12.70%	8.51%	9	8.24%
Musical Instruments, Toys, Sporting Goods	4	7.00%	9.00%	8.00%	3	8.33%
Office Equipment (including computers)	13	5.50%	9.02%	7.69%	13	7.69%
Paper, Fiber, and Wood Products	29	6.00%	10.00%	8.04%	26	8.11%
Petroleum Refining	21	7.00%	9.50%	8.31%	21	8.31%
Pharmaceuticals	17	7.00%	9.75%	8.05%	17	8.05%
Publishing, Printing	13	7.00%	8.50%	7.76%	13	7.76%
Rubber, Plastic Products	8	6.50%	11.00%	3.76%	6	8.62%
Shipbuilding, Railroad, Transportation Equipment	2	6.50%	7.50%	7.00%	2	7.00%
Soaps, Cosmetics	7	6.50%	13.00%	8.67%	7	8.67%
Textiles, Vinyl Flooring	8	7.00%	10.00%	8.41%	7	8.54%
Tobacco	4	7.50%	9.50%	8.40%	4	8.40%
By Fortune 50 Non-Industrial Groups						
Commercial Banking	33	6.50%	9.50%	8.33%	33	8.33%
Retailing	33	6.00%	10.20%	7.95%	32	7.91%
Transportation	28	5.00%	9.70%	7.98%	24	7.89%
Utilities	47	6.00%	10.00%	7.92%	45	7.96%
Total	141	5.00%	10.20%	8.03%	134	8.03%
Industry & Non-Industry Total	519	5.00%	13.50%	8.17%	475	8.14%

Using Reported Interest Rate Assumptions			Using Alternative Uniform Interest Rate Assumptions					
Reported Basis			Assumed 7% Rate			Assumed 8.25% (PBGC) Rate		
Number Of Companies Reporting UVB	Average Reported FASB-36 Interest Rate If UVB Reported	UVB Reported ($ Millions)	Number Of Companies Having No UVB	Number Of Companies With UVB	UVB ($ Millions)	Number Of Companies Having No UVB	Number Of Companies With UVB	UVB ($ Millions)
7	9.00%	$2,583.6	67	21	$14,455.8	80	8	$4,804.7
9	9.02%	629.5	63	18	1,869.6	72	9	775.1
7	9.22%	511.3	52	12	970.3	58	6	567.5
7	8.15%	112.4	57	11	220.4	63	5	57.4
7	7.43%	22.4	67	10	86.4	75	2	1.2
37	8.59%	$3,859.2	306	72	$17,602.5	348	30	$6,205.9
0	0.00%	$ 0.0	14	0	$ 0.0	14	0	$ 0.0
0	0.00%	0.0	8	1	4.3	9	0	0.0
0	0.00%	0.0	7	0	0.0	7	0	0.0
1	7.02%	24.5	32	3	95.0	35	0	0.0
5	8.30%	75.7	28	6	166.4	30	4	32.5
3	8.01%	38.0	27	7	194.5	32	2	24.8
0	0.00%	0.0	2	0	0.0	2	0	0.0
2	9.50%	32.0	8	3	148.4	9	2	41.2
2	7.01%	7.5	23	5	80.0	27	1	0.8
0	0.00%	0.0	0	0	0.0	0	0	0.0
1	6.51%	10.4	12	2	29.5	14	0	0.0
8	9.71%	980.1	8	15	3,944.9	15	8	1,771.1
3	9.17%	28.6	15	3	277.2	15	3	43.5
0	0.00%	0.0	9	0	0.0	9	0	0.0
5	8.99%	2,310.5	6	8	11,029.5	9	5	3,920.5
1	7.00%	1.0	2	2	1.7	3	1	0.1
0	0.00%	0.0	13	0	0.0	13	0	0.0
3	7.51%	43.3	23	6	108.1	28	1	7.8
0	0.00%	0.0	18	3	662.4	21	0	0.0
0	0.00%	0.0	16	1	8.0	17	0	0.0
0	0.00%	0.0	13	0	0.0	13	0	0.0
2	9.20%	300.0	4	4	780.3	6	2	361.4
0	0.00%	0.0	1	1	11.5	2	0	0.0
0	0.00%	0.0	7	0	0.0	7	0	0.0
1	7.50%	7.5	7	1	9.3	7	1	2.3
0	0.00%	0.0	3	1	51.7	4	0	0.0
0	0.00%	$ 0.0	33	0	$ 0.0	33	0	$ 0.0
1	9.02%	11.1	30	3	60.0	32	1	8.6
4	8.50%	313.4	24	4	780.0	24	4	185.3
2	7.01%	28.0	44	3	65.8	46	1	2.7
7	8.15%	$ 352.5	131	10	$ 905.8	135	6	$ 196.6
44	8.52%	$4,211.7	437	82	$18,508.3	483	36	$6,402.5

9 Ratio of Unfunded Vested Benefits to Net Worth, 1984

In the event of a pension plan termination, a company can be liable to the Pension Benefit Guaranty Corporation (PBGC) for up to 30% of its net worth to cover certain unfunded vested benefits. Exhibit 9 assesses the potential strain on a company's resources if it had to fund 100% of the pension plan's total vested benefits today.

Fifty-one companies in our sample had unfunded vested benefits. The ratio of unfunded vested benefits to net worth was under 10% for 37 of those companies.

Seven companies had unfunded vested benefits exceeding 30% of corporate net worth—5 of them 100% or more. As a group, the 51 companies have a funding deficit equal to 20% of their combined net worth.

Total unfunded vested benefits represented .5% of total net worth for our composite company. Industrial companies tended to have higher ratios than service companies; large companies tended to have smaller ratios than small companies. The industrial groups with the highest ratios were Metal Manufacturing, Motor Vehicles, and Rubber and Plastics Products.

Terminations of underfunded plans left the PBGC with a $462 million deficit for fiscal year 1984. By November 1985, this figure reached $1.2 billion. Proposed measures for shoring up the PBGC's finances include premium increases, a "risk-related" premium (basing premium amount on the financial condition of plans, thereby encouraging better plan funding), and potential claims of up to 10% of a company's profits during the 10 years following a plan termination.

Only 8% of the companies in our sample reported unfunded vested benefits. The range of interest rates shown in Figure 39 are the FASB-36 assumed interest rates used by these companies.

UNFUNDED LIABILITIES AND THE INTEREST RATES USED TO VALUE THEM

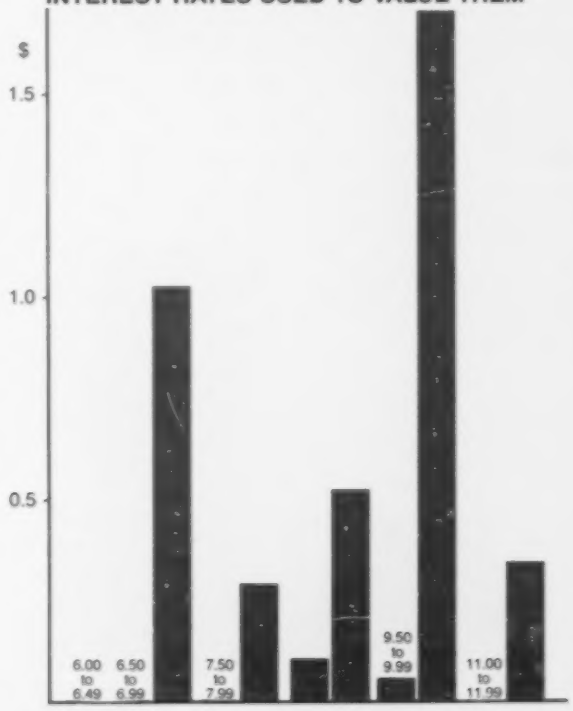

Figure 39

"Despite lower pension costs and flat stock and bond markets, the number of pension plans achieving full funding of vested benefits grew."

Pension assets equal more than 100% of total net worth for the first industry in this group and more than 30% for the rest—prompting the question "What business are we in anyway?"

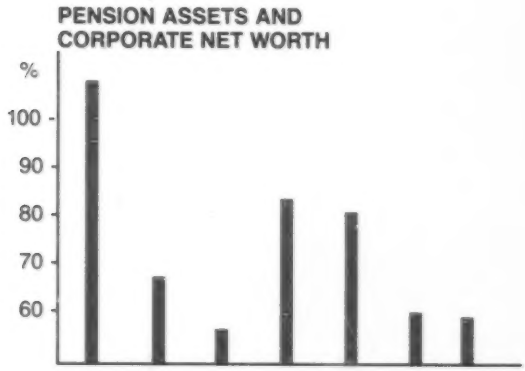

Figure 40

Vested liabilities (funded and unfunded) are over 50% of corporate net worth for five of these seven industries. If a uniform interest rate were imposed, at least two industries' percentages would exceed 100%.

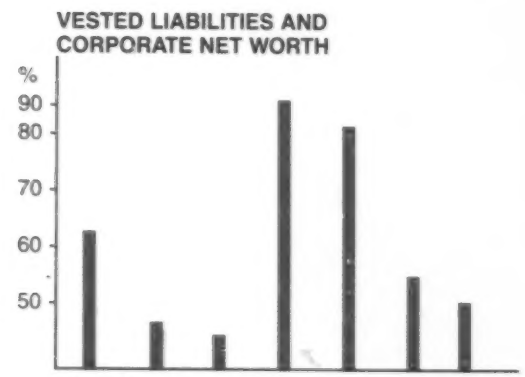

Figure 41

These five companies had unfunded vested benefits in excess of 100% of net worth. Several of their pension management decisions, as reported in the business press, include:

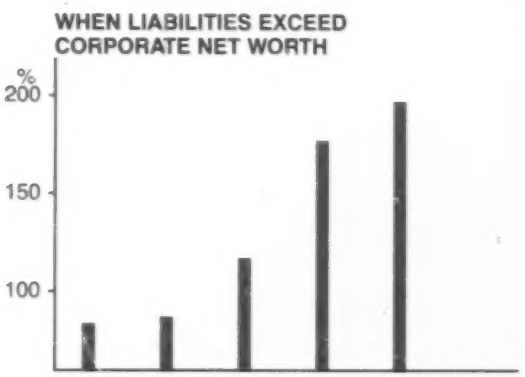

Figure 42

- Contract negotiations in which both sides agreed not to increase retirement benefits because of the plan's huge liabilities.
- Freezing pension plans in order to hold unfunded liabilities in check.
- Terminating plans with obligations well in excess of net worth. In a financially strained industry, one company will have a competitive advantage if it can terminate the pension and shed its $462 million in unfunded liabilities.

Companies terminating plans can be liable to the Pension Benefit Guaranty Corporation (PBGC) for up to 30% of net worth to cover certain unfunded benefits. However, the PBGC frequently absorbs the loss. Its own deficit ($1.2 billion as of 11/85) has raised the call for reform of the Single Employer Insurance Program.

Exhibit 9.
Ratio of Unfunded Vested Benefits to Net Worth, 1984

By Fortune 500 Ranks	Number Of Companies	Companies Having No UVB	Detailed Distribution Of Ratio Of Unfunded Vested Benefits To Net Worth: UVB Equal To .1-9.9% Of Net Worth	Detailed Distribution Of Ratio Of Unfunded Vested Benefits To Net Worth: UVB Equal To 10-19.9% Of Net Worth
Fortune 1-100	97	89 (92%)	4 (4%)	2 (2%)
Fortune 101-200	92	80 (87%)	10 (11%)	1 (1%)
Fortune 201-300	83	76 (92%)	4 (5%)	0 (0%)
Fortune 301-400	80	72 (90%)	7 (9%)	1 (1%)
Fortune 401-500	86	78 (91%)	7 (8%)	1 (1%)
Total	438	395 (90%)	32 (7%)	5 (1%)
By Industry Group				
Aerospace	16	16 (100%)	0 (0%)	0 (0%)
Apparel	12	12 (100%)	0 (0%)	0 (0%)
Beverages	8	8 (100%)	0 (0%)	0 (0%)
Chemicals	39	38 (97%)	1 (3%)	0 (0%)
Electronics, Appliances	40	34 (85%)	5 (13%)	1 (3%)
Food	40	36 (90%)	4 (10%)	0 (0%)
Furniture	2	2 (100%)	0 (0%)	0 (0%)
Glass, Concrete, Abrasives, Gypsum	16	13 (81%)	3 (19%)	0 (0%)
Industrial and Farm Equipment	32	29 (91%)	1 (3%)	1 (3%)
Jewelry, Silverware	1	1 (100%)	0 (0%)	0 (0%)
Measuring, Scientific, Photographic Equipment	16	15 (94%)	1 (6%)	0 (0%)
Metal Manufacturing	24	16 (67%)	4 (17%)	2 (8%)
Metal Products	20	17 (85%)	3 (15%)	0 (0%)
Mining, Crude Oil Production	12	12 (100%)	0 (0%)	0 (0%)
Motor Vehicles	16	10 (63%)	3 (19%)	1 (6%)
Musical Instruments, Toys, Sporting Goods	6	5 (83%)	1 (17%)	0 (0%)
Office Equipment (including computers)	14	14 (100%)	0 (0%)	0 (0%)
Paper, Fiber, and Wood Products	31	28 (90%)	3 (10%)	0 (0%)
Petroleum Refining	25	25 (100%)	0 (0%)	0 (0%)
Pharmaceuticals	16	16 (100%)	0 (0%)	0 (0%)
Publishing, Printing	15	15 (100%)	0 (0%)	0 (0%)
Rubber, Plastic Products	12	10 (83%)	1 (8%)	0 (0%)
Shipbuilding, Railroad, Transportation Equipment	4	4 (100%)	0 (0%)	0 (0%)
Soaps, Cosmetics	7	7 (100%)	0 (0%)	0 (0%)
Textiles, Vinyl Flooring	10	8 (80%)	2 (20%)	0 (0%)
Tobacco	4	4 (100%)	0 (0%)	0 (0%)
By Fortune 50 Non-Industrial Groups				
Commercial Banking	42	42 (100%)	0 (0%)	0 (0%)
Retailing	35	34 (97%)	1 (3%)	0 (0%)
Transportation	38	33 (87%)	2 (5%)	1 (3%)
Utilities	48	46 (96%)	2 (4%)	0 (0%)
Total	163	155 (95%)	5 (3%)	1 (1%)
Industry & Non-Industry Total	601	550 (92%)	37 (6%)	6 (1%)

UVB Equal To 20 - 29.9% Of Net Worth	UVB Equal To At Least 30% Of Net Worth	Companies Reporting Unfunded Vested Benefits: Number Of Companies	Companies Reporting Unfunded Vested Benefits: UVB As A Percentage Of Net Worth (Composite)	Aggregate For Survey Group: UVB ($ Millions)	Aggregate For Survey Group: Net Worth ($ Millions)	Aggregate For Survey Group: UVB As A Percentage Of Net Worth (Composite)
0 (0%)	2 (2%)	8	6.4%	$2,677.2	$432,693.2	0.6%
0 (0%)	1 (1%)	12	6.4%	643.8	89,960.5	0.7%
1 (1%)	2 (2%)	7	23.3%	556.0	49,709.6	1.1%
0 (0%)	0 (0%)	8	5.0%	123.3	27,062.0	0.5%
0 (0%)	0 (0%)	8	2.6%	32.0	16,603.1	0.2%
1 (0%)	5 (1%)	43	6.9%	$4,032.3	$616,028.4	0.7%
0 (0%)	0 (0%)	0	0.0%	$ 0.0	$ 23,446.8	0.0%
0 (0%)	0 (0%)	0	0.0%	0.0	5,428.4	0.0%
0 (0%)	0 (0%)	0	0.0%	0.0	9,056.0	0.0%
0 (0%)	0 (0%)	1	4.6%	24.5	52,400.7	0.0%
0 (0%)	0 (0%)	6	4.3%	76.2	61,905.8	0.1%
0 (0%)	0 (0%)	4	2.0%	42.7	27,364.2	0.2%
0 (0%)	0 (0%)	0	0.0%	0.0	329.2	0.0%
0 (0%)	0 (0%)	3	3.1%	43.0	11,643.0	0.4%
0 (0%)	1 (3%)	3	12.4%	140.4	20,835.8	0.7%
0 (0%)	0 (0%)	0	0.0%	0.0	170.6	0.0%
0 (0%)	0 (0%)	1	3.2%	10.4	21,402.1	0.0%
1 (4%)	1 (4%)	8	13.8%	985.5	18,230.1	5.4%
0 (0%)	0 (0%)	3	1.5%	28.6	8,110.3	0.4%
0 (0%)	0 (0%)	0	0.0%	0.0	18,888.7	0.0%
0 (0%)	2 (13%)	6	5.9%	2,319.6	45,370.8	5.1%
0 (0%)	0 (0%)	1	0.8%	1.0	1,780.1	0.1%
0 (0%)	0 (0%)	0	0.0%	0.0	47,654.6	0.0%
0 (0%)	0 (0%)	3	5.0%	43.3	28,638.3	0.2%
0 (0%)	0 (0%)	0	0.0%	0.0	149,406.5	0.0%
0 (0%)	0 (0%)	0	0.0%	0.0	22,781.1	0.0%
0 (0%)	0 (0%)	0	0.0%	0.0	9,935.5	0.0%
0 (0%)	1 (8%)	2	33.8%	300.0	8,294.5	3.6%
0 (0%)	0 (0%)	0	0.0%	0.0	2,045.2	0.0%
0 (0%)	0 (0%)	0	0.0%	0.0	5,021.1	0.0%
0 (0%)	0 (0%)	2	2.8%	17.1	4,235.9	0.4%
0 (0%)	0 (0%)	0	0.0%	0.0	11,655.8	0.0%
0 (0%)	0 (0%)	0	0.0%	$ 0.0	$ 59,167.4	0.0%
0 (0%)	0 (0%)	1	1.7%	11.1	42,265.3	0.0%
0 (0%)	2 (5%)	5	11.3%	718.8	36,862.7	2.0%
0 (0%)	0 (0%)	2	0.6%	28.0	177,110.8	0.0%
0 (0%)	2 (1%)	8	6.5%	$ 757.9	$315,406.2	0.2%
1 (0%)	7 (1%)	51	6.9%	$4,790.2	$931,434.6	0.5%
			19.7%			1.7%

10 Ratio of Unfunded Total Accumulated Benefits to Net Worth, 1984

Unfunded total accumulated benefits have taken on special importance because this figure will appear on the company balance sheet as a liability when the FASB proposal is adopted.

Under the new guidelines, pension obligations will include all current vested and non-vested benefits with salary projections—in other words, the pension liability will incorporate future as well as presently accumulated benefits for current employees. The FASB proposal calls for a gradual phase-in of the unfunded portion of pension obligations.

Because the unfunded total accumulated benefits liability includes both vested and non-vested benefits, the ratios shown in Exhibit 10 are higher than those in Exhibit 9. In the Motor Vehicle group the additional liability of non-vested benefits is substantial—almost $4.6 billion—because of the sheer size of the plans. The composite company would require additional pension assets equal to 1.2% of corporate net worth to fund the pension plan fully.

Seventy-four companies in the sample reported unfunded liabilities—with a composite ratio of 11.5% of net worth—a significant drop from last year when 110 out of 605 companies reported funding deficits.

Placing pension obligations on the company balance sheet could adversely influence the company's bond ratings and thus the cost of debt. On a positive note, only 4% of our sample (23 companies) had an unfunded liabilities ratio of 10% or more of net worth.

BENEFITS LIABILITIES AND CORPORATE NET WORTH

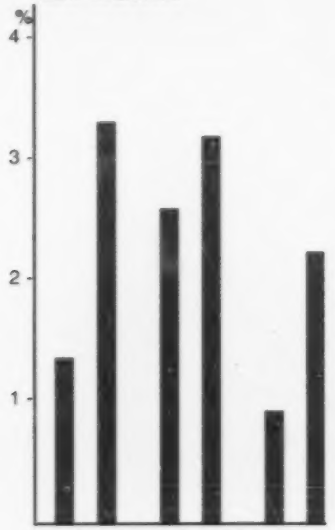

Figure 43

Ninety-two percent of the companies in our sample report balanced assets and liabilities. The atypical Metal Products companies shown in Figure 43, however, have unfunded total accumulated benefits equalling between 2% and 4% of corporate net worth. Vested benefits are better funded—they are between only .5% and 3% of net worth.

"Placing pension obligations on the company balance sheet could adversely influence the company's bond ratings and thus the cost of debt."

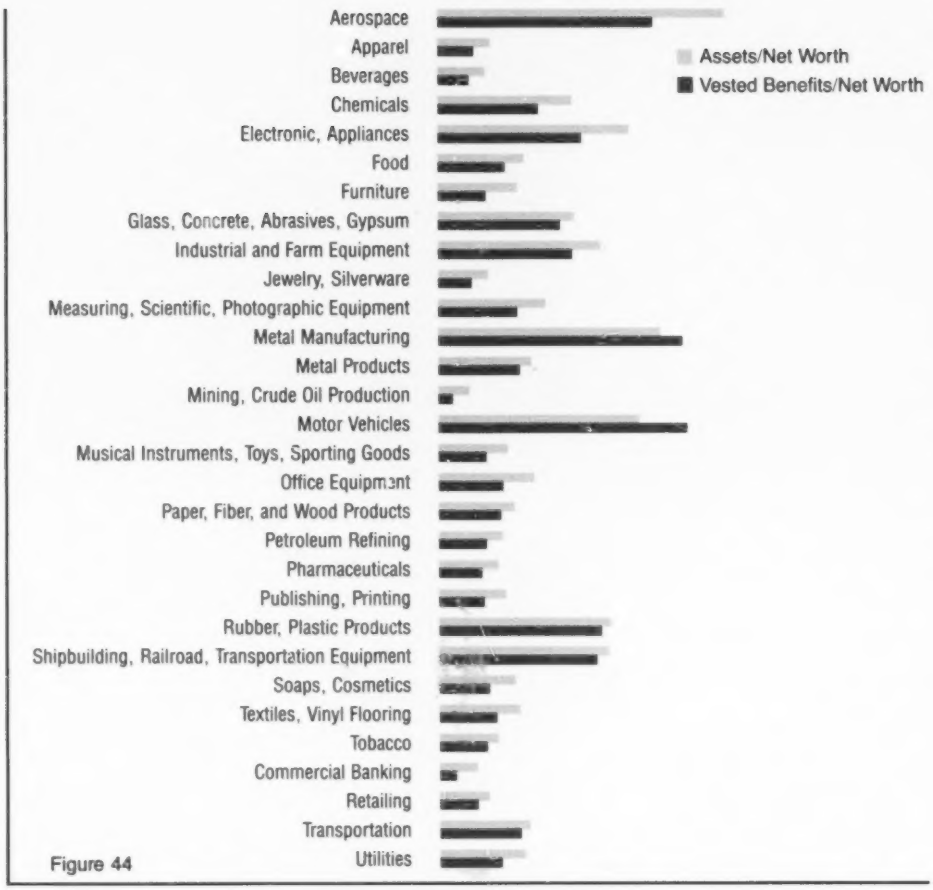

Figure 44

More companies' plan assets grew to fully cover pension obligations. Some corporations' plan assets actually exceeded 100% of net worth. This underscores the magnitude of the pension "business" conducted by companies alongside their primary businesses.

Companies incur an element of risk as long as pension assets do not cover obligations. When a pension plan is terminated, a company is obliged to make good on the vested benefits. Companies can be liable to the Pension Benefits Guaranty Corporation (PBGC) for up to 30% of net worth to cover certain unfunded vested benefits. Congress may soon extend the liability to include 10% of profits for the 10 years following a plan termination.

In A Word...

The *1985 Johnson & Higgins Executive Report On Large Corporate Pension Plans* considers the dynamic relationships between pension financial management and corporate planning. The *Report* relies on the financial information disclosed by the country's largest industrial and non industrial businesses.

Our study points to the escalating importance of pension finance in corporate financial management. Swelling pension assets and obligations are triggering greater regulation. These new directives will affect the entire financial community. Future *Executive Reports* will follow their impact.

Exhibit 10.
Ratio of Unfunded Total Accumulated Benefits to Net Worth, 1984

By Fortune 500 Ranks	Number Of Companies	Companies Having No UAB	Detailed Distribution Of Ratio Of Unfunded Total Accumulated Benefits To Net Worth: UAB Equal To .1-9.9% Of Net Worth	Detailed Distribution Of Ratio Of Unfunded Total Accumulated Benefits To Net Worth: UAB Equal To 10-19.9% Of Net Worth
Fortune 1-100	97	83 (86%)	7 (7%)	2 (2%)
Fortune 101-200	92	74 (80%)	13 (14%)	4 (4%)
Fortune 201-300	83	75 (90%)	5 (6%)	0 (0%)
Fortune 301-400	79	68 (86%)	7 (9%)	3 (4%)
Fortune 401-500	86	74 (86%)	11 (13%)	1 (1%)
Total	437	374 (86%)	43 (10%)	10 (2%)
By Industry Group				
Aerospace	16	16 (100%)	0 (0%)	0 (0%)
Apparel	12	11 (92%)	1 (8%)	0 (0%)
Beverages	8	8 (100%)	0 (0%)	0 (0%)
Chemicals	39	37 (95%)	2 (5%)	0 (0%)
Electronics, Appliances	40	33 (83%)	5 (13%)	1 (3%)
Food	40	33 (83%)	6 (15%)	1 (3%)
Furniture	2	2 (100%)	0 (0%)	0 (0%)
Glass, Concrete, Abrasives, Gypsum	16	13 (81%)	2 (13%)	1 (6%)
Industrial and Farm Equipment	32	28 (88%)	2 (6%)	1 (3%)
Jewelry, Silverware	1	1 (100%)	0 (0%)	0 (0%)
Measuring, Scientific, Photographic Equipment	16	15 (94%)	1 (6%)	0 (0%)
Metal Manufacturing	24	13 (54%)	5 (21%)	3 (13%)
Metal Products	20	17 (85%)	3 (15%)	0 (0%)
Mining, Crude Oil Production	11	11 (100%)	0 (0%)	0 (0%)
Motor Vehicles	16	7 (44%)	3 (19%)	2 (13%)
Musical Instruments, Toys, Sporting Goods	6	4 (67%)	2 (33%)	0 (0%)
Office Equipment (including computers)	14	13 (93%)	1 (7%)	0 (0%)
Paper, Fiber, and Wood Products	31	28 (90%)	3 (10%)	0 (0%)
Petroleum Refining	25	25 (100%)	0 (0%)	0 (0%)
Pharmaceuticals	16	15 (94%)	1 (6%)	0 (0%)
Publishing, Printing	15	15 (100%)	0 (0%)	0 (0%)
Rubber, Plastic Products	12	8 (67%)	3 (25%)	0 (0%)
Shipbuilding, Railroad, Transportation Equipment	4	3 (75%)	0 (0%)	1 (25%)
Soaps, Cosmetics	7	7 (100%)	0 (0%)	0 (0%)
Textiles, Vinyl Flooring	10	8 (80%)	2 (20%)	0 (0%)
Tobacco	4	3 (75%)	1 (25%)	0 (0%)
By Fortune 50 Non-Industrial Groups				
Commercial Banking	42	42 (100%)	0 (0%)	0 (0%)
Retailing	35	31 (89%)	4 (11%)	0 (0%)
Transportation	38	33 (87%)	2 (5%)	1 (3%)
Utilities	48	46 (96%)	2 (4%)	0 (0%)
Total	163	152 (93%)	8 (5%)	1 (1%)
Industry & Non-Industry Total	600	526 (88%)	51 (9%)	11 (2%)

UAB Equal To 20 - 29.9% Of Net Worth	UAB Equal To At Least 30% Of Net Worth	Companies Reporting Unfunded Total Accumulated Benefits: Number Of Companies	Companies Reporting Unfunded Total Accumulated Benefits: UAB As A Percentage Of Net Worth (Composite)	Aggregate For Survey Group: UAB ($ Millions)	Aggregate For Survey Group: Net Worth ($ Millions)	Aggregate For Survey Group: UAB As A Percentage Of Net Worth (Composite)
2 (2%)	3 (3%)	14	13.5%	$ 7,956.8	$432,693.2	1.8%
0 (0%)	1 (1%)	18	7.0%	1,103.1	89,960.5	1.2%
1 (1%)	2 (2%)	8	24.5%	655.7	49,709.6	1.3%
1 (1%)	0 (0%)	11	7.9%	224.8	26,478.1	0.9%
0 (0%)	0 (0%)	12	3.0%	59.1	16,603.1	0.4%
4 (1%)	6 (1%)	63	12.2%	$ 9,999.5	$ 615,444.5	1.6%
0 (0%)	0 (0%)	0	0.0%	$ 0.0	$ 23,446.8	0.0%
0 (0%)	0 (0%)	1	0.7%	7.7	5,428.4	0.1%
0 (0%)	0 (0%)	0	0.0%	0.0	9,056.0	0.0%
0 (0%)	0 (0%)	2	3.3%	185.2	52,400.7	0.4%
1 (3%)	0 (0%)	7	7.3%	402.5	61,905.8	0.7%
0 (0%)	0 (0%)	7	2.3%	95.2	27,364.2	0.3%
0 (0%)	0 (0%)	0	0.0%	0.0	329.2	0.0%
0 (0%)	0 (0%)	3	7.3%	102.1	11,643.0	0.9%
0 (0%)	1 (3%)	4	14.8%	193.0	20,835.8	0.9%
0 (0%)	0 (0%)	0	0.0%	0.0	170.6	0.0%
0 (0%)	0 (0%)	1	3.3%	10.9	21,402.1	0.1%
1 (4%)	2 (8%)	11	13.8%	1,604.0	18,230.1	8.8%
0 (0%)	0 (0%)	3	3.6%	67.8	8,110.3	0.8%
0 (0%)	0 (0%)	0	0.0%	0.0	18,304.8	0.0%
2 (13%)	2 (13%)	9	16.8%	6,771.0	45,370.8	14.9%
0 (0%)	0 (0%)	2	1.6%	2.2	1,780.1	0.1%
0 (0%)	0 (0%)	1	0.9%	2.2	47,654.6	0.0%
0 (0%)	0 (0%)	3	8.1%	70.2	28,638.3	0.2%
0 (0%)	0 (0%)	0	0.0%	0.0	149,406.5	0.0%
0 (0%)	0 (0%)	1	2.3%	50.7	22,781.1	0.2%
0 (0%)	0 (0%)	0	0.0%	0.0	9,935.5	0.0%
0 (0%)	1 (8%)	4	16.1%	332.6	8,294.5	4.0%
0 (0%)	0 (0%)	1	10.3%	63.0	2,045.2	3.1%
0 (0%)	0 (0%)	0	0.0%	0.0	5,021.1	0.0%
0 (0%)	0 (0%)	2	3.8%	22.9	4,235.9	0.5%
0 (0%)	0 (0%)	1	0.7%	16.4	11,655.8	0.1%
0 (0%)	0 (0%)	0	0.0%	$ 0.0	$ 59,167.4	0.0%
0 (0%)	0 (0%)	4	1.1%	24.6	42,265.3	0.1%
0 (0%)	2 (5%)	5	13.5%	860.1	36,862.7	2.3%
0 (0%)	0 (0%)	2	1.9%	85.4	177,110.8	0.0%
0 (0%)	2 (1%)	11	7.3%	$ 970.1	$315,406.2	0.3%
4 (1%)	8 (1%)	74	11.5% 18.5%	$10,969.6	$930,850.7	1.2% 2.3%

Appendix:
Alphabetical List of Corporations Represented, by Industry and Non-Industry Group

Aerospace
Avco
Boeing
Cessna Aircraft
Fairchild Industries
General Dynamics
Grumman
Gulfstream Aerospace
Lockheed
Martin Marietta
McDonnell Douglas
Northrop
Rockwell International
Rohr Industries
Signal Companies
Sundstrand
Textron
United Technologies

Apparel
Cluett Peabody
Gulf & Western Industries
Hartmarx
INTERCO
Kellwood
Levi Strauss
Manhattan Industries
Oxford Industries
Palm Beach
Phillips-Van Heusen
VF
Warnaco

Beverages
Anheuser-Busch
Brown-Forman Distillers
Coca-Cola
Coors (Adolph)
General Cinema
Heileman (G.) Brewing
MEI
PepsiCo

Chemicals
Air Products & Chemicals
Allied
American Cyanamid
Avery International
Big Three Industries
BOC Group
Cabot
Celanese
Dexter
Dow Chemical
Dow Corning
Du Pont (E.I.) de Nemours
Engelhard
Ethyl
Ferro
FMC
Fuller (H.B.)
GAF
Grace (W.R.)
Hercules
Insilco
Koppers
Liquid Air
Lubrizol
Monsanto
Morton Thiokol
NL Industries
Nalco Chemical
National Distillers & Chemical
Olin
Pennwalt
Reichhold Chemicals
Rohm & Haas
SCM
Sherwin-Williams
Stauffer Chemical
Sun Chemical
Tyler
Union Carbide

Electronics, Appliances
Advanced Micro Devices
AT&T Technologies
Allegheny International
AMP
Bairnco
Champion Spark Plug
Cooper Industries
Diebold
E-Systems
Eaton
Emerson Electric
General Electric
General Instrument
Gould
Harris
Harvey Hubbell
Hoover
ITT
Intel
Johnson Controls
Litton Industries
Loral
M/A-Com
Magic Chef
Maytag
McGraw-Edison
Medtronic
Midland-Ross
Motorola
National Semiconductor
National Service Industries
North American Philips
Oak Industries
Penn Central
Pittway
Raychem
Raytheon
Sanders Associates
Scott & Fetzer
Scovill
Singer
Square D
Texas Instruments
Tracor
Varian Associates
Westinghouse Electric
Whirlpool
White Consolidated Industries
Zenith Radio

Food
American Bakeries
Amstar
Anderson, Clayton
Archer-Daniels-Midland
Beatrice Foods
Borden
CPC International
Campbell Soup
ConAgra
Dart & Kraft
Dean Foods
Federal Co.
Flowers Industries
General Foods
General Mills
Gerber Products
Gold Kist
Heinz (H.J.)
Hershey Foods
Hormel (Geo. A.)
IC Industries
Idle Wild Foods
International Multifoods
Interstate Bakeries
Katy Industries
Kellogg
McCormick
Monfort of Colorado
Nabisco Brands
Pillsbury
Quaker Oats
Ralston Purina
Sara Lee
Savannah Foods & Industries
Shaklee
Smithfield Foods
Staley Continental
Swift Independent
Thorn Apple Valley
Tyson Foods
United Brands
Universal Foods
Wilson Foods
Wrigley (Wm. Jr.)

Furniture
Leggett & Platt
Mohasco

Glass, Concrete, Abrasives, Gypsum
Anchor Hocking
Brockway
Certain-Teed
Corning Glass Works
Gifford-Hill
Lafarge
Libbey-Owens-Ford
Lone Star Industries
Manville
Moore McCormack Resources
National Gypsum
Norton
Owens-Corning Fiberglas
Owens-Illinois
PPG Industries
U.S. Gypsum

Industrial and Farm Equipment
Allis-Chalmers
Baker International
Black & Decker Manufacturing
Briggs & Stratton
Brunswick
Cameron Iron Works
Caterpillar Tractor
Cincinnati Milacron
Clark Equipment
Coleman
Colt Industries
Combustion Engineering
Cummins Engine
Deere
Dover
Dresser Industries
Eagle-Picher Industries
Emhart
Federal-Mogul
Figgie International Holdings
Fuqua Industries
Harris Graphics
Hughes Tool
Ingersoll-Rand
Joy Manufacturing
Outboard Marine
Rexnord
Roper
Smith International
Tecumseh Products
Teledyne
Timken

Jewelry, Silverware
Jostens

Measuring, Scientific, Photographic Equipment
Ametek
Bard (C.R.)
Bausch & Lomb
Becton Dickinson
Bell & Howell
EG&G
Eastman Kodak
Foxboro
General Signal
Lear Siegler
Minnesota Mining & Mfg.
Perkin-Elmer
Polaroid
Sybron
Tektronix
Xerox

Metal Manufacturing
Aluminum Co. of America
Amsted Industries
Armco
Asarco
Bethlehem Steel
Carpenter Technology
Copperweld
Cyclops
Handy & Harman
Inland Steel
Interlake
Kaiser Aluminum & Chemical
LTV
Lukens
Marmon Group
NVF
National Intergroup
Newmont Mining
Northwest Industries
Nucor
Phelps Dodge
Revere Copper & Brass
Reynolds Metals
Stanadyne
Wheeling-Pittsburgh Steel
Worthington Industries

Metal Products
American Can
Ball
Butler Manufacturing
CBI Industries
Ceco
Chromalloy American
Crane
Crown Cork & Seal
Easco
Gillette
Harsco
Illinois Tool Works
Masco
National Can
Nortek
Parker Hannifin
Robertson (H.H.)
Snap-on Tools
Stanley Works
Wyman-Gordon

Mining, Crude-Oil Production
AMAX
Freeport-McMoRan
Inspiration Resources
Int'l Minerals & Chemical
Louisiana Land & Exploration
Mitchell Energy
Norco
North American Coal
Occidental Petroleum
Standard Oil (Ohio)
Vulcan Materials
Westmoreland Coal

Motor Vehicles
American Motors
Arvin Industries
Borg-Warner
Chrysler
Dana
Echlin
Ex-Cell-O
Ford Motor
Fruehauf
General Motors
International Harvester
PACCAR
Sealed Power
Sheller-Globe
Smith (A.O.)
TRW

Musical Instruments, Toys, Sporting Goods
AMF
Coleco Industries
Hasbro-Bradley Industries
Hillenbrand Industries
Kidde
Mattel

Office Equipment (Includes Computers)
Am International
Amdahl
Apple Computer
Burroughs
Computervision
Control Data
Data General
Datapoint
Digital Equipment
Hewlett-Packard
Honeywell
IBM

Office Equipment
Management Assistance
NCR
Nashua
Pitney Bowes
Prime Computer
Sperry
Storage Technology
Tandem Computers
Wang Laboratories

Paper, Fiber, and Wood Products
Bemis
Boise Cascade
Champion International
Consolidated Papers
Crown Zellerbach
Dennison Manufacturing
Esselte Business Systems
Federal Paper Board
Fort Howard Paper
Georgia-Pacific
Great Northern Nekoosa
Hammermill Paper
International Paper
James River Corp. of Virginia
Jefferson Smurfit
Kimberly-Clark
Longview Fibre
Louisiana-Pacific
Mead
Pentair
Potlatch
Scott Paper
Sonoco Products
Southwest Forest Industries
Stone Container
Temple-Inland
Tyco Laboratories
Union Camp
Westvaco
Weyerhaeuser
Willamette Industries

Petroleum Refining
Agway
Amerada Hess
American Petrofina
Amoco
Ashland Oil
Atlantic Richfield
Chevron
Coastal
Crown Central Petroleum
Diamond Shamrock
Exxon
Kerr-McGee
Mapco
Mobil
Murphy Oil
Pennzoil
Phillips Petroleum
Quaker State Oil Refining
Shell Oil
Sun
Tenneco
Texaco
Tosco
US Steel
Unocal
Walter (Jim)
Witco Chemical

Pharmaceuticals
Abbott Laboratories
American Home Products
Baxter Travenol Laboratories
Bristol-Myers
Cooper Labs
Lilly (Eli)
Merck
Miles Laboratories
Pfizer
Richardson-Vicks
Robins (A.H.)
Rorer Group
Schering-Plough
Searle (G.D.)
SmithKline Beckman
Squibb
Sterling Drug
Upjohn
Warner-Lambert

Publishing, Printing
American Greetings
Capital Cities Communications
Deluxe Check Printers
Donnelley (R.R.) & Sons
Dow Jones
Gannett
Harcourt Brace Jovanovich
Knight-Ridder Newspapers
Macmillan
McGraw-Hill
Media General
Meredith
New York Times
Time Inc.
Times Mirror
Tribune
Washington Post

Rubber, Plastic Products
Armstrong Rubber
Carlisle
Cooper Tire & Rubber
Dayco
Dorsey
Firestone Tire & Rubber
Gencorp
Goodrich (B.F.)
Goodyear Tire & Rubber
Lancaster Colony
Rubbermaid
Uniroyal

Shipbuilding, Railroad and Transportation Equipment
American Standard
Coachmen Industries
Fleetwood Enterprises
Mack Trucks
Ogden
Todd Shipyards

Soaps
Avon Products
Chesebrough-Pond's
Clorox
Colgate-Palmolive
Economics Laboratory
Int'l Flavors & Fragrances
Procter & Gamble
Revlon

Textiles, Vinyl Flooring
Armstrong World Industries
Burlington Industries
Collins & Aikman
Fieldcrest Mills
Lowenstein (M.)
Riegel Textile
Shaw Industries
Springs Industries
Stevens (J.P.)
United Merchants & Mfrs.
West Point-Pepperell

Tobacco
American Brands
Philip Morris
Reynolds (R.J.)
U.S. Tobacco

Commercial Banking
Allied Bancshares
Banc One Corp.
Bank of Boston Corp.
Bank of New York Co.
BankAmerica Corp.
Bankers Trust New York Corp.
Barnett Banks of Florida
Chase Manhattan Corp.
Chemical New York Corp.
Citicorp
Citizens & Southern Georgia Corp.
Comerica
Continental Illinois Corp.
CoreStates Financial Corp.
Crocker National Corp.
European American Bancorp.
First Bank System
First Chicago Corp.
First City Bancorp of Texas
First Interstate Bancorp.
First Fid. Bancorp.
First Union Corp.
InterFirst Corp.
Irving Bank Corp.
M Corp
Manufacturers Hanover Corp.
Marine Midland Banks
Mellon National Corp.
Morgan (J.P.) & Co.
National City Corp.
NBD Bancorp
NCNB Corp.
Norstar Bancorp.
Norwest Corp.
PNC Financial Corp.
Rainier Bancorp.
Republic New York Corp.
RepublicBank Corp.
Security Pacific Corp.
Southeast Banking Corp.
Sovran Financial Corp.
Sun Banks
Texas Commerce Bancshares
U.S. Bancorp.
Valley National Corp.
Wachovia Corp.
Wells Fargo & Co.

Retailing
Albertson's
Allied Stores
American Stores
Associated Dry Goods
Best Products
Brown Group
Carter Hawley Hale Stores
Dayton-Hudson
Eckerd (Jack)
Evans Products
Federated Department Stores
Food Lion
Giant Food
Great Atlantic & Pacific Tea
Household International
K mart
Kroger
Lowe's Companies
Lucky Stores
Macy (R.H.)
Marriott
May Department Stores
McDonald's
Melville
Mercantile Stores
Montgomery Ward
Penney (J.C.)
Publix Super Markets
Rapid-American
Revco D.S.
Safeway Stores
SCOA Industries
Sears, Roebuck and Co.
Service Merchandise
Southland
Stop & Shop Companies
Supermarkets General
Tandy
Toys R Us
Trans World
U.S. Shoe
Wal-Mart Stores
Waldbaum
Walgreen
Wickes Companies
Winn-Dixie Stores
Woolworth (F.W.)
Zayre Corp.

Transportation
Airborne Freight
Alexander & Baldwin
Allied Van Lines
American President
AMR
Arco Pipe Line
Arkansas Best
BP Pipelines
Burlington Northern
Carolina Freight
Chicago and North Western Transportation
Chicago, Milwaukee, St. Paul and Pacific Railroad
Consolidated Freightways
CSX
Delta Air Lines
Eastern Air lines
Emery Air Freight
Federal Express
Frontier Holdings
Illinois Central Gulf Railroad
Kansas City Southern Industries
Leaseway Transportation
Mayflower
McLean Industries
Minstar
Norfolk Southern
Northwest Airlines
Ozark Air Lines
Pan American World Airways
People Express
Piedmont Aviation
PSA
Purolator
Republic Airlines
Roadway Services
Santa Fe Southern Pacific
Sea Land
Sohio Pipe Line
Southwest Airlines
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